Witco Chemical Corporation

Sixty-Second Annual Report

1981

"Simply stated, this is our major goal for the 1980's: We expect by the end of the decade that over 90 percent of our sales and production will be in product lines where we hold a strong market position and where we are either first, second or a strong third."

William Wishnick
Chairman and Chief Executive Officer

Contents

Notice of Annual Meeting

The annual meeting of stockholders will be held on Wednesday, April 28, 1982 at 2:00 P.M., local time, in the second floor auditorium of The Chase Manhattan Bank, N.A., 1 New York Plaza, New York, New York. The notice of meeting and proxy material will be mailed on or about March 29, 1982. Stockholders unable to attend this meeting are asked to sign and return their proxies promptly.

About the Company

The Company is a producer of a wide range of special purpose chemical and petroleum products as well as engineered materials and parts for industrial and consumer use. It markets its products under various trademarks and trade names including Amalie, Archer, Argus, Kendall, Kenite, LubriMatic, Richardson, SACI, Superior and Witco. The Company concentrates on formulating products to meet customer specifications and requirements, and has developed a skilled technical service and sales staff to market the products which it manufactures.

Price Ranges of Stock on New York Stock Exchange **Ticker Symbol-WIT**

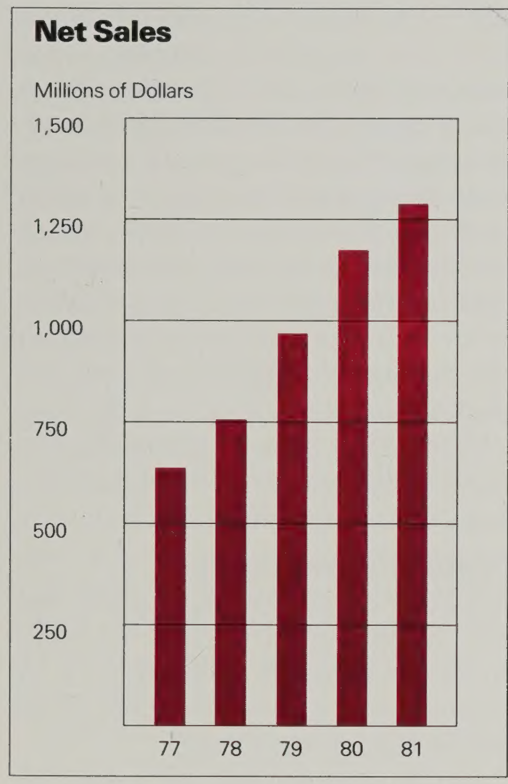
	Common				Preferred			
	1981		1980		**1981**		1980	
Quarter	**High**	**Low**	High	Low	**High**	**Low**	High	Low
First	**\$30½**	**\$26¾**	\$33	\$20¼	**\$112**	**\$102**	\$121	\$121
Second	**30⅝**	**26**	26⅞	21¾	**106**	**90½**	88	84¾
Third	**31½**	**23½**	32	25	**102¼**	**91**	110	107½
Fourth	**26½**	**22¾**	33¾	28¼	**96**	**90**	123¼	92
For the year	**\$31½**	**\$22¾**	\$33¾	\$20¼	**\$112**	**\$90**	\$123¼	\$ 84¾

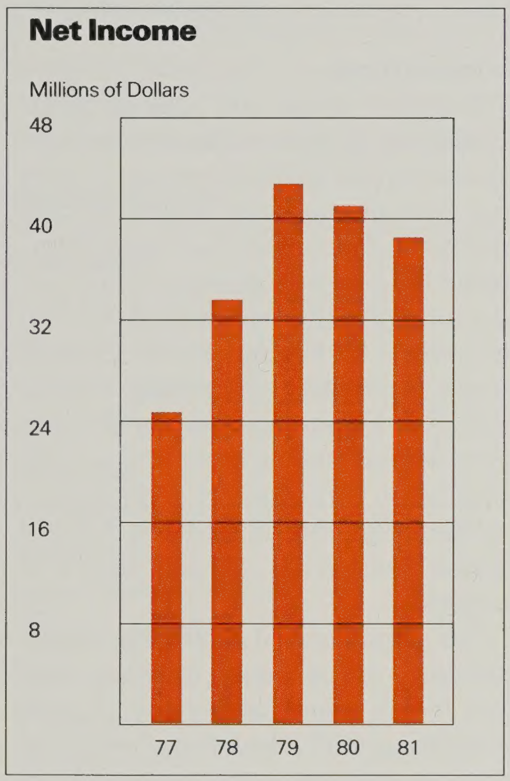
Financial Highlights

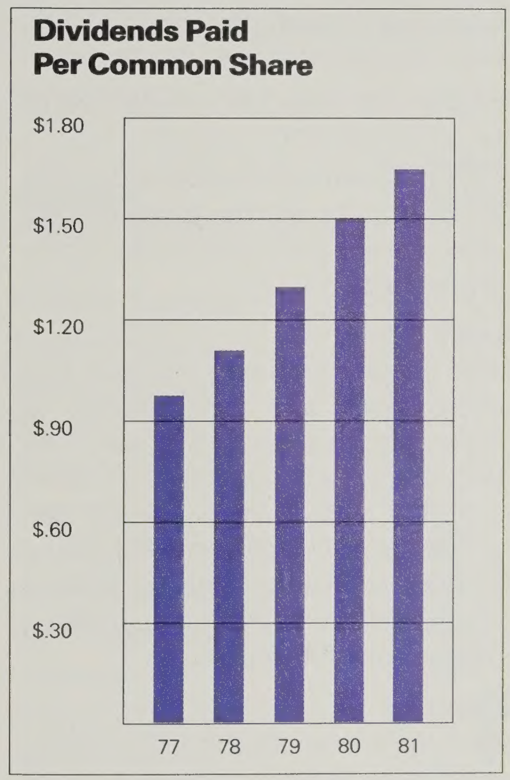
(thousands of dollars except per share data)

	1981	1980	% Change
Net sales	**$1,291,878***	$1,175,695	+10
Income before federal and foreign income taxes	**$ 68,363**	$ 72,880	−6
Federal and foreign income taxes	**$ 29,783**	$ 31,926*	−7
Net income	**$ 38,580**	$ 40,954	−6
Net income per common share	**$ 4.14**	$ 4.50	−8
Dividends paid per common share	**$ 1.65***	$ 1.50	+10
Capital expenditures	**$ 83,114*†**	$ 73,411†	+13
Depreciation and depletion	**$ 31,750***	$ 26,412	+20
Book value per common share	**$ 31.43***	$ 29.17	+8

*Record
†Includes $27,635 (1981) and $27,748 (1980) applicable to acquisitions







Quarterly Financial Highlights (thousands of dollars except per share data)

	Sales		Earnings				Common Dividends Paid	
			Total		Per Share		Per Share	
Quarter	**1981**	1980	**1981**	1980	**1981**	1980	**1981**	1980
First	**$ 323,508**	$ 285,568	**$ 5,895**	$10,459	**$ .64**	$1.15	**$ .40**	$ .35
Second	**335,544**	279,406	**10,262**	11,153	**1.11**	1.23	**.40**	.35
Third	**326,097**	298,954	**11,200**	9,169	**1.19**	1.01	**.40**	.40
Fourth	**306,729**	311,767	**11,223**	10,173	**1.20**	1.11	**.45**	.40
Total	**$1,291,878**	$1,175,695	**$38,580**	$40,954	**$4.14**	$4.50	**$1.65**	$1.50

Preferred dividends were paid at the rate of $.6625 per share in each quarter or $2.65 per year

Report to Stockholders

1981 was a year of many accomplishments for Witco.

> Sales reached a record high.

> Earnings were the third highest in history.

> Dividends were increased for the ninth consecutive year.

> Capital expenditures reached a new record.

> A successful tender offer was made for The Richardson Company, our largest acquisition.

> Humko Chemical and Pearsall Chemical, acquired in 1980, were completely integrated into the Witco organization.

> A redeployment of assets was completed through divestiture of a division and sale of a minority interest.

> New emphasis was placed on oil and gas production.

> A Vice Chairman of the Board, a new President and a number of key officers were chosen from within the Company's ranks.

Sales

Sales for 1981 reached a record of $1.3 billion, which was approximately 10 percent above sales of $1.2 billion for 1980. Chemical Group sales amounted to $510.1 million, increasing 13 percent, or $56.8 million over 1980. Petroleum Group sales totaled $794.4 million, which was 9 percent, or $62.7 million above 1980 sales.

Earnings

Net income amounted to $38.6 million, equal to $4.14 per common share, as compared to net income of $41.0 million, or $4.50 per common share, in 1980. The 1981 results were the third highest in our history. This was achieved despite a record foreign currency translation loss of $5.7 million, or $.61 per share. The 6 percent decline in earnings also reflected a slowdown in the domestic as well as in overseas economies. While profit margins continued to experience pressure from higher costs for raw materials and other operating costs, some of these higher costs were offset through increased selling prices. Humko Chemical, acquired in 1980, made a significant contribution to our results for 1981.

Dividend Increase

Our policy is to continuously recognize the needs of our stockholders for an increased return on their investment. We raised the quarterly dividend rate on the common stock by 12½ percent from 40 cents to 45 cents a share. This was the ninth consecutive year in which the dividend paid on the common stock has been increased. Annual dividends paid on the common stock have been increased in 20 of the past 23 years since the Company became publicly owned, reflecting management's concern for its stockholders.

Acquisitions

Through the years, we have acquired companies that complement our organization and that will help us grow in the special purpose chemical and petroleum fields. We now have completed the largest acquisition in our history through a cash tender offer for The Richardson Company of Des Plaines, Illinois, a producer of specialty chemicals and engineered materials and parts. Richardson has more than 1,700 employees, operates 11 manufacturing facilities throughout the United States, and serves a broad variety of markets.

The acquisition of Richardson complements our activities in many markets in the chemical industry. It also provides us with a new line of products since Richardson is the nation's leading independent producer of plastic and hard rubber battery containers for use in the manufacture of batteries for automotive equipment.

Management of Richardson remains under Reno J. Testolin, formerly its chairman, who will continue in charge of its operations. Mr. Testolin has been elected a Group Vice President of Witco and General Manager of Richardson, which has become a part of our Chemical Group.

While Richardson's net assets were consolidated into Witco's at December 31, 1981, its sales and earnings were not. Its sales in 1981 were $178.4 million and its earnings were $3.1 million. We are confident that Richardson will contribute to our future growth.

During the year, we purchased new technology which will allow us to broaden our applications for activated carbon. In addition, we acquired a distributor of Kendall motor oils with bulk terminal facilities which will enable us to provide improved service and distribution in the Southeast.

Divestitures

Through the years, it has been our policy to divest ourselves of operations which do not fit into our future corporate plans. In line with this policy, we sold our domestic private label packaged detergent business. While we no longer manufacture these products in the United States, we continue to be the largest producer of branded packaged detergents in Israel and of private label packaged detergents in Canada. We also remain an important factor in the production of detergent raw materials for the market here and abroad.

In addition, we disposed of our minority interest investment in a producer of carbon black.

Capital Expenditures

In pursuit of our corporate goals, we are continuing to nurture existing divisions through investments to improve and expand manufacturing facilities and product lines.

Capital expenditures set a new record of $83.1 million in 1981. This figure included $55.5 million for internal projects and $27.6 million for acquisitions.

Some of the major internal expansion projects completed or underway with their approximate cost are:

> Completion of an expansion of the solvent extraction facilities at Oildale, California. (Cost: $4.0 million).

> Start-up of the expanded monoperoxyester product line at Marshall, Texas. (Cost: $3.9 million).

> Completion of an expansion program to double production of over-

based magnesium sulfonate at Gretna, Louisiana. (Cost: $4.0 million).

> Completion of an expansion program for magnesium-based specialty chemicals at Trainer, Pennsylvania. (Cost: $1.3 million).

> Consolidation and modernization program for grease and fluid lubricant manufacturing operations at plants in Pennsylvania, Kansas, Nebraska and California. (Cost: $4.1 million).

> Debottlenecking and expansion of several units at plants in the United States, United Kingdom, Canada, France, Israel and Mexico.

Oil and Gas Activities

After the completion of an independent study, we decided to place greater emphasis on crude oil and natural gas activities. Fortunately, we have a strong base on which to build. Our new Oil and Gas Division has been given additional management and capital to develop our present oil and gas properties in Pennsylvania, Ohio, New York, and West Virginia and to acquire reserves both in the Appalachian area and elsewhere.

Estimates in 1981 of our proved crude oil reserves, both developed and undeveloped, arrived at in accordance with the reporting requirements of the Securities and Exchange Commission, were approximately 9.1 million barrels. The estimate for gas was 12.6 billion cubic feet. Production of crude oil was 0.7 million barrels and of gas was 1.0 billion cubic feet.

During 1981, 137 new wells were drilled in Pennsylvania, Ohio and New York, including 10 joint ventures, of which 126 were completed as producing wells and 9 as dry holes. Approximately 23 percent of the Bradford, Pennsylvania refinery's crude oil requirements came from our own production.

Financial Condition

We are well positioned financially to meet the challenges of the 1980's with a strong balance sheet. We also increased our domestic and international bank lines of credit to meet future financial needs.

Increased Expenditures

The continued growth and expansion of our operations places increased emphasis on the importance of research and development programs. These programs are concerned with technical developments affecting products and processes and with technical service capabilities to serve our customers. Expenditures on research and development totaled a record $16.3 million in 1981 as compared with $14.6 million in 1980, and $11.6 million in 1979.

As part of an ongoing effort, greater emphasis continues to be placed on health, safety and environmental programs. Approximately $3.0 million was spent in this area in 1981. In 1981, we achieved a reduction of 25 percent in the number of work-related injuries due to these programs. Normally 10 percent of our capital expenditures are allocated for health, safety and environmental protection equipment at all new facilities.

We again expanded our advertising program in 1981. Outlays increased to

The Company competes in a broad range of special purpose chemical and petroleum products as well as engineered materials and parts. Approximately 50-55 percent of Witco's total domestic sales for 1981 is represented by the products listed below.

Our product line ranking of 1, 2 or 3 in the industry is based on industry information and our own judgement.

Product Lines	Division	Industry Ranking 1	2	3
Chemical				
Aluminum chloride-anhydrous	Pearsall Chemical	●		
Barium cadmium stabilizers	Argus Chemical	●		
Organo-sulphur chemicals	Argus Chemical	●		
Polyesters/saturated	Organics	●		
Stearates	Organics	●		
Surfactant specialties	Organics	●		
Defoamers	Organics		●	
Fatty acids-broadline	Humko Chemical		●	
Organic peroxides	U.S. Peroxygen		●	
Rigid urethane systems	Organics		●	
Diatomaceous earth	Inorganic Specialties			●
Tin stabilizers	Argus Chemical			●
Petroleum				
Natural sulfonates	Sonneborn	●		
Petrolatums	Sonneborn	●		
Private label greases and grease guns	Southwest Petro-Chem	●		
White oils	Sonneborn	●		
Overbased sulfonates	Sonneborn		●	
Microcrystalline waxes	Sonneborn		●	
Motor oil (same region crude)	Kendall/Amalie			●
Engineered materials and parts (Acquired December, 1981)				
Battery cases	Richardson	●		

$9.3 million, a new record, up 9 percent over the prior year. The largest portion of these funds was used to support sales of Kendall and Amalie lubricants with particular emphasis on television, radio and trade publications. Kendall celebrated its 100th Anniversary in 1981, and we believe Kendall is well positioned to enter its second century of progress.

Administrative Operations
During 1981, we completed the move of our administrative operations to a new 101,000 square foot building in Woodcliff Lake, New Jersey. The building was named the Robert I. Wishnick Administrative Center in honor of our late co-founder and chairman.

Corporate Headquarters
We are planning to move our corporate headquarters in the Spring of 1982 to a new building at 520 Madison Avenue in New York City between 53rd and 54th streets.

Management Changes
A realignment of responsibilities was announced in continuation of our policy of promotion from within to further strengthen our management team.

Henry Sonneborn III, president since 1975, was elected to the post of Vice Chairman of the Board and also became Chairman of the Executive Committee. William J. Ashe, senior executive vice president of finance and administration since 1975, was elected President and Chief Operating Officer. Thomas J. Bickett, formerly vice president and controller, became Vice President of Finance and Administration and Peter J. Biancotti, previously assistant controller, was named Controller of the Company.

Robert L. Feldman and Raymond D. Saunders were promoted to Group Vice Presidents-Petroleum. Reno J. Testolin became a Group Vice President - Chemical with the acquisition of The Richardson Company.

Five new Corporate Vice Presidents were elected: Arthur R. Kuhn, Lawrence B. Nelson, Henry P. Pruch, Robert J. Seward and Tom M. Uhoda.

Outlook
We are making progress toward our primary objective for the eighties of having over 90 percent of our sales and production in product lines where we hold a strong market position and where we are either first, second or a strong third. We are also more than halfway towards our second goal of $2 billion in annual sales by the mid-1980's. To accomplish these aims, we intend to continue our balanced format of internal growth to improve and expand existing facilities and product lines while at the same time adding to our base with a well spaced acquisition program.

We are hopeful the country and our economy will start to benefit from the first steps that have been taken by the Federal Government to bring down the rate of inflation. While the forecasts for the economy in the first half are far from bullish, we remain hopeful that the economy will turn upward as 1982 unfolds. In the meantime, every effort is being made to improve our margins through increased operating efficiencies and through rigorous cost control.

As in prior years, the achievements in 1981 would not have been possible without the loyalty, dedication and hard work of many people. We wish to thank our 8,300 employees, our directors, stockholders, customers and suppliers for their continuing confidence in the Company and for their support of its programs and policies.

William Wishnick
Chairman and Chief Executive Officer

William J. Ashe
President and Chief Operating Officer

Henry Sonneborn III
Vice Chairman and
Chairman, Executive Committee

February 26, 1982

William Wishnick William J. Ashe Henry Sonneborn III

Kendall's Centennial

Kendall, an integral part of Witco since 1966, celebrated its 100th Anniversary in 1981. This important milestone was marked by a very significant increase in its branded lube oil gallonage sales compared to that of the lubricating oil industry as a whole. In addition to participating in the oil industry's spectacular growth during the past 100 years, Kendall has also made its own contributions to technology and marketing. Among its accomplishments are the development of new products, new packages, and new ways of helping customers.

◀ Before the turn of the century when the automobile was still a rarity, Kendall was producing Coach Oil, an excellent lubricant for all kinds of vehicles, mainly carriages, surreys, and buggies.

▲ Among Kendall's most notable products in the early 1900's was Kenco Auto Oil, one of the first oils to provide free-flowing lubrication at freezing temperatures. Kendall's present multi-grade oils carry on this tradition.

The first lubricant specifically engineered for diesel passenger cars was Kendall DSL motor oil. It provides minimum engine wear with the high temperature stability that diesel engines require. ▼

▲ In the 1920's, this symbol illustrated Kendall's unique ability to provide lubrication products for 2,000 miles. Kendall is still providing excellent lubrication products for today's far-longer drain intervals.

◀ A consumer convenience developed in the late 1970's was Kendall's "Fun-L-Fil" plastic quart container. Its built-in funnel neck makes it easy to open and easy to pour.

▶ Do-it-yourselfers can change their own oil and readily dispose of the used motor oil with Kendall's "Dispos-A-Jug" gallon disposable container, another packaging innovation of the late 1970's.

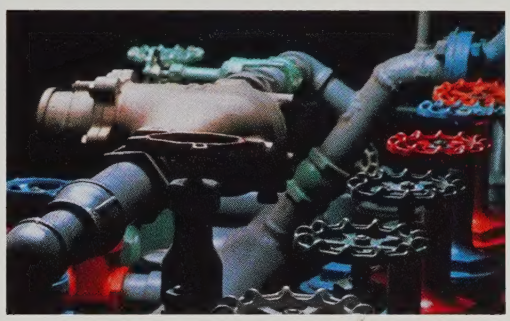
Witco At A Glance

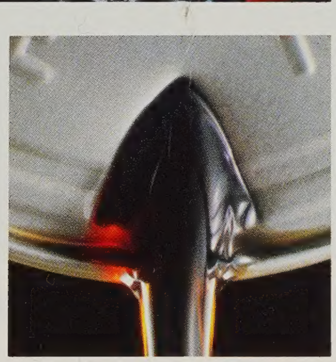
Markets Served†	Estimated % of 1981 Sales	Typical Products Furnished
Automotive & Industrial Lubricants	19-20%	Base Stocks, Blending Stocks, Hydraulic Fluids, Machine Lubricants, Natural and Synthetic Neutral and Overbased Petroleum Sulfonates, Private Label Greases and Lubricants, Rolling Oils, Stearates
Plastics	16-17%	Anti-Blocking Agents, Anti-Static Agents, Catalysts, Compressor and Internal Lubricants, Cross Linking Agents, Diatomaceous Earth, Fillers, Mold Release Agents, Organic Peroxides, Petrolatums, Plasticizers, Polyamides, Process Oils, Processing Aids, Stabilizers, Stearates, Sulfur-Derived Chemicals, Surfactants, Urethane Chemicals, Waxes, White Oils
Transportation	12-13%	Amalie Motor Oils, Archer Lubricants, Battery Cases*, Golden Bear Motor Oils, Kendall Motor Oils, LubriMatic Lubricants, Superior Lubricants
Construction	7-8%	Asphalt Emulsions, Asphalt Rejuvenating and Recycling Agents, Asphalts, Rust Control Agents, Fiberglass Components, Protective Coatings, Road Oils, Urethane Insulation, White Oils, Wood Treating Oils
Detergents	6-7%	Anti-Caking Agents, Branded Detergents, Detergent Alkylates, Hydrotropes, Opacifiers*, Petroleum and Synthetic Sulfonates, Surfactants, Private Label Detergents
Cosmetics & Pharmaceuticals	5-6%	Activated Carbon, Diatomaceous Earth, Emulsion Adjuncts, Humectant, Moisturizers, Petrolatums, Solvents, Stearates, Sulfur-Derived Chemicals, Sunscreens, Surfactants, Tableting Lubricants, Toilet Soap Stocks, White Oils
Primary & Fabricated Metal Products	5-6%	Belts*, Buffing Compounds, Cleaners, Coated Fabrics*, Coolants, Corrosion Inhibitors, Cutting Fluids, Defoamers, Degreasers, Electrode Binder Pitch, Emulsifiers, Foaming Compounds, Forging Compounds, Greases, Grease Guns and Fasteners, Lubricants, Oxidized Petrolatum, Petroleum Sulfonates, Polishing and Plating Chemicals*, Quenching Oils, Rolling Oils, Rust Preventives, Waxes
Energy	3-4%	Corrosion Inhibitors, Crude Oil, Demulsifiers, Diesel Fuel, Drilling and Foaming Agents, Fuel Oil, Mud Additives*, Natural Gas, Polishers and Cleaners*, Sulfonates, Surfactants, Thiochemicals
Agricultural Chemicals & Animal Feedstuffs	2-3%	Activated Carbon, Diatomaceous Earth, Emulsifiers, Larvicides, Spray Oils, White Oils
Rubber	2-3%	Accelerators*, Anti-Blocking Agents, Anti-Oxidants, Asphalts, Emulsifiers, Extender Oils, Lubricants, Mold Release Agents, Petrolatums, Petroleum Sulfonates, Process Aids, Process Oils, Stabilizers, Urethane Chemicals
Paper & Packaging	2-3%	Asphalts, Anti-Blocking Agents, Anti-Static Agents, Belting*, Defoamer Base Oils, Defoamers, Packing, Petrolatum, Petroleum Sulfonates, Seals*, Stearates, Urethane Systems, Waxes, White Oils
Food & Food Processing	2-3%	Belts*, Coated Fabrics*, Defoamers, Diatomaceous Earth, Emulsifiers, Humectant, Lubricants, Petrolatums, Solvents, Stearates, White Oils
Textiles	1-2%	Anti-Static Agents, Cotton Picking Oils, Dye Assists, Lubricants, Petroleum Sulfonates, Pigment Flushing Aids, Plating Chemicals*, Surfactants, Urethane Chemicals, White Oils
Miscellaneous: Automotive, Chemicals & Chemical Processing, Coatings & Inks, Electronics, Furniture & Bedding, Insulation, Mining, Oil Well Drilling, Leisure, Paints, Photography, Printing, Water Treatment	12-13%	Activated Carbon, Alkyl Compounds, Anti-Blocking Agents, Asphalts, Bactericide, Belts*, Coated Fabrics*, Chemical Intermediates, Cleaners*, Corrosion Inhibitors, Defoamers, Developer Accelerators, Diatomaceous Earth, Driers, Emulsifiers, Flow Control Agent Intermediates, Fluids, Gelling Agents, Greases, Ink Oils, Lacquer Bases, Lubricants, Mildewcides, Offset Chemicals*, Lithographic Plates*, Lithographic Supplies*, Ore Flotation Agents, Packing and Seals*, Petrolatums, Petroleum Sulfonates, Plasticizers, Plating Chemicals*, Polishing Chemicals*, Polyamide Resin Compounds, Rust Preventives, Slimicide Intermediates, Stearates, Surfactants, Transformer Oils, Undercoatings, Urethane Chemicals and Systems, Waxes, White Oils

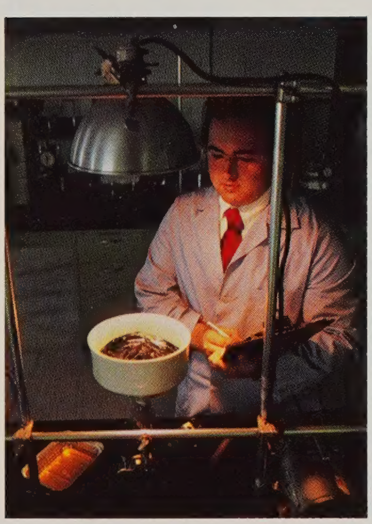
†Markets served represent areas where the "typical products furnished" by Witco, as listed, are used either by the consumer directly or by industry in further manufacture.

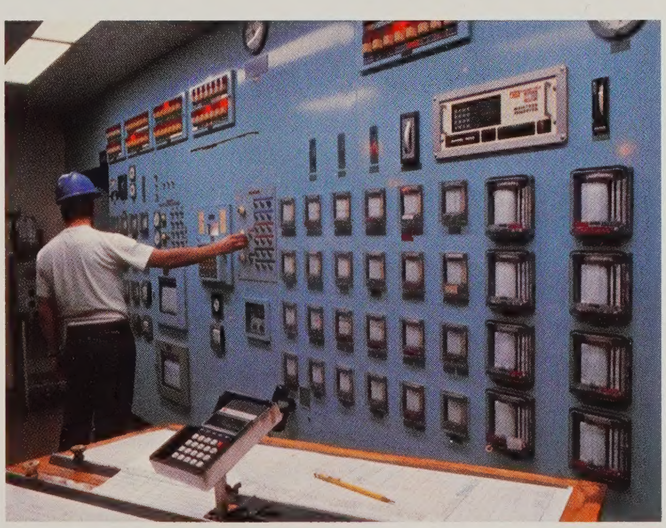
*Product line acquired with The Richardson Company in December, 1981. Richardson is not reflected in estimated % of 1981 sales.

Manufacturing Locations









United States

California	Carson Compton Los Angeles (3) Oildale Richmond (2)
Delaware	New Castle
Illinois	Chicago (3) Lawrenceville Lemont Orland Park
Indiana	Indianapolis
Iowa	Spencer
Kansas	Olathe Wichita
Louisiana	Gretna Taft
Massachusetts	Holyoke
Michigan	Detroit
Mississippi	Philadelphia
Nebraska	Omaha
New Jersey	Berkeley Heights Brainards Paterson Perth Amboy
New York	Beacon Brooklyn
Ohio	Cleveland
Pennsylvania	Bakerstown Bradford Petrolia Trainer
Tennessee	Memphis
Texas	Houston (2) LaPorte Marshall Point Comfort
Washington	Quincy

Foreign

Canada	Brantford Concord Montreal Oakville Scarborough (2) Toronto
England	Accrington Droitwich Dronfield
France	Elbeuf
Israel	Haifa
Mexico	Cuautitlan
the Netherlands	Amsterdam Haarlem Koog Aan De Zaan

The following brand names used in this publication are trademarks of Witco Chemical Corporation and its subsidiary companies: Amalie, Archer, Argus, Califlux, Cyclogen, Cyclolube, Dispos-A-Jug, Fun-L-Fil, Golden Bear, Imperial, Kendall, Kenite, LubriMatic, Petroflux, Reclamite, Richardson, SACI, Superb, Superior and Witco.

Principal Markets Served

Left to right:
William E. Setzler
Executive Vice President – Chemical Group
J. Lawson Kennedy
Executive Vice President – Petroleum Group
George F. Polzer, Jr.
Executive Vice President – Commercial Services

Witco produces and markets a wide range of special purpose chemical and petroleum products as well as engineered materials and parts that serve thousands of customers in practically every basic industry.

These products are produced by the Company's Chemical and Petroleum Groups. Both groups are provided with support services by the Commercial Services Group.

The Chemical Group, which accounted for 39 percent of total sales in 1981, manufactures chemicals that are sold primarily to other manufacturers in a wide variety of industries for use in the manufacture of their products.

The Petroleum Group, which accounted for 61 percent of total sales in 1981, manufactures products from refined and semi-refined petroleum oils. It also operates two specialized crude oil refineries which primarily produce lubricating oils under the Kendall, Amalie and Golden Bear trademarks as well as under private labels for automotive and industrial use.

The Commercial Services Group provides support services such as purchasing, distribution and traffic, government liaison, safety, health and environmental control, corporate engineering and corporate communications.

What follows is a description of Witco's principal markets and the typical products supplied to them.

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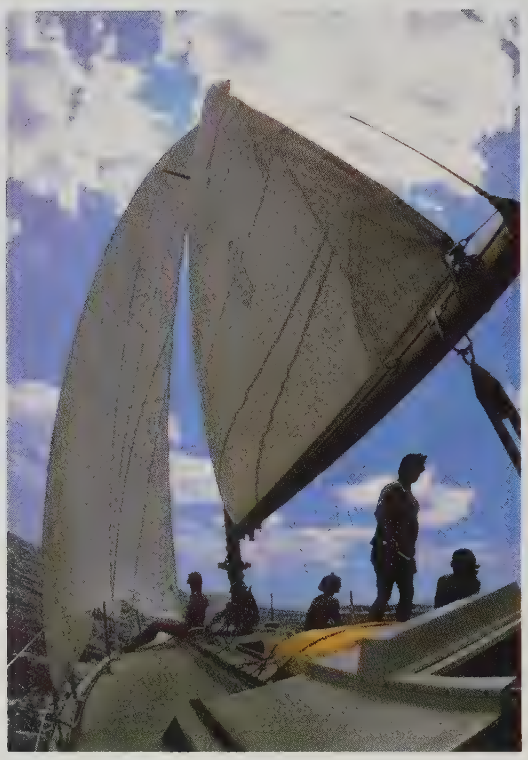
3

1, 2, 3
Transportation

Many of Witco's products are used in the transportation market. Best known to consumers are our Kendall and Amalie brand motor oils. The Company also sells lubricants and lubrication equipment under the Archer, Superior and LubriMatic labels. Through its acquisition of The Richardson Company, Witco has become the nation's leading independent producer of plastic and hard rubber automotive battery containers.

A host of other Witco products are widely used in cars and trucks. Among these are overbased sulfonates which are used as components in fuel and lubricating oil additives. Urethane-based products go into safety equipment such as dash board padding and head and arm rests. Plastic additives have application in seat and floor coverings. Metal treating chemicals and compounds are used in the processing of metal parts and components. Asphalt products are used for battery sealers and as sound barriers in door panels. SACI rust preventive concentrates, and other rust preventives, are used for protection of frames and undercoatings.

2



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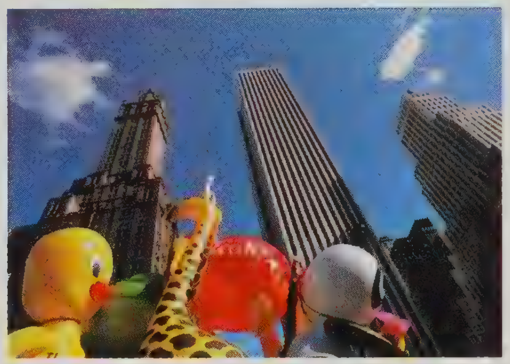

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1
Leisure

Leisure time products from pleasure boats to bowling pins have created an important market for our products. The smooth and shining hull of a sailboat must resist tenacious barnacles as well as rough water. Fiberglass made using a key Witco chemical is the answer. A bowling pin must withstand the repeated shock of a well-aimed projectile. A coating with a Witco latex adds to its longevity and to its appearance. These are only two examples; there are many others. Witco supplies the filling for metal tennis rackets, the tough but flexible material used in toy footballs, the battery cases for golf carts, and the lubricants for racing cars.

2, 3
Plastics

Plastic items surround us in our daily lives—our homes are sheathed and floored with plastic, our automobiles are lined with plastic, our shoes are soled with plastic, our furniture has plastic stuffing, our children play with plastic toys and all of us use such diverse plastic products as shower curtains and rainwear. Witco supplies initiators, catalysts, and intermediates which are essential to the manufacture of each of these plastics and is the foremost supplier of the additives which give raw plastics the qualities needed for their wide range of applications.

4, 5
Construction

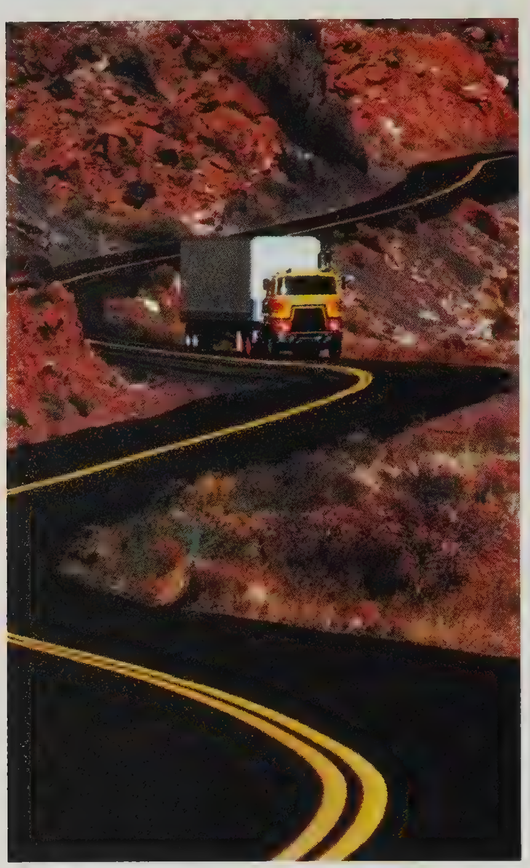
We are entering an era in which architecture will be increasingly concerned with energy efficiency. Buildings will look different and will use different materials for construction. Far greater emphasis will be placed on insulation to keep heat in during the winter and out during the summer. Witco supplies the building industry with rigid urethane foam systems that are among the most effective insulators known. Such systems can be used as a "sandwich" filling for walls and doors and as a component coating for roofs. In addition to blocking heat transmission, these Witco materials add strength and watertightness.

Other Witco products for the building and construction industry include plastic additives, asphalt roofing products, and creosote wood preservatives.

For highway construction, Witco provides a number of specialties: Reclamite rejuvenating agent for old asphalt roads, Cyclogen rejuvenating agent for recycling old asphalt, and CRF crack filler. In the far west, Witco also supplies asphalt and asphalt emulsions for road building.

6
Rubber

The world rides on rubber and a number of Witco products are used in tires. Process and extender oils, sold under the Califlux, Petroflux, and Cyclolube trademarks, anti-sunchecking waxes, fatty acids, and anti-oxidants are Witco specialties that help give natural and synthetic rubber the qualities needed for the exacting requirements of the transportation industry. There are many applications and many Witco products to match them.



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1
Automotive and Industrial Lubricants

Witco's branded lubricants are well-known, but we also serve the industrial, agricultural, and private label lubricating oil markets with a wide range of greases and blending stocks as well as with special lubricants such as compressor oils, hydraulic fluids, and railroad oils. Witco is also one of the largest merchant suppliers of petroleum sulfonates to the lubricating oil additive industry.

2
Finishes and Coatings

Extensive research has been conducted by Witco chemists in recent years to help paint manufacturers develop formulations offering longer-lasting beauty and protection. Witco's divisions supply important chemicals such as stearates, surfactants, driers, resins, diatomite, urethane latex, and foam control agents for paints of all types.

3
Agricultural Chemicals

Witco's agricultural emulsifiers are widely used in pesticide, larvicide, and herbicide formulations to suspend the active ingredients in water. Without the proper emulsifier to hold the particles of spray material in suspension, so it can be distributed effectively, the never-ending battle against the insects that threaten the world's food supply would be far more difficult.

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4 Textiles

Current fashion trends have opened the door to many important technological advances in textiles. Urethane-bonded fabrics, vinyl cloths and natural and synthetic fiber blends continue to expand their role in wearing apparel, upholstery and home decorations. Witco produces and markets a variety of products for use in the textile industry.

5 Furniture

That intricately carved "wood" medallion on a modern chest of drawers may well be molded from rigid urethane, and the cushions in a new couch are almost certainly made from flexible urethane. Witco supplies chemicals for both of these products as well as a number of others which go into furniture and home decoration.

6 Detergents

In the United States and abroad, the Company makes detergent chemicals which are used by our customers in the manufacture of household detergents and industrial cleaning compounds. In Israel, Witco is the largest producer of consumer detergents which are sold under our own brand names: Kleen, Tip, and Bio-Mat. In Canada, Witco is the largest manufacturer of private label household detergents.

2

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1, 2
Cosmetics and Pharmaceuticals

Cosmetic sections of major stores are showcases for products based on Witco ingredients. Lipsticks, face and hand creams, shaving creams, shampoos, toilet soaps, lotions, deodorants, hair preparations and ointments are all personal care products that rely on Witco products. Many pharmaceuticals are based on Witco white oils, petrolatums, waxes, stearates, and emulsifiers. These are lines in which Witco is a world leader and we are proud of their contribution to both health and beauty.

3
Food

The growth of supermarket shopping made packaging an essential link in the food distribution process. Witco products are used in many of the plastic and paper products that preserve the freshness and nutritional value of foods. Our white mineral oils, petrolatums, microcrystalline waxes, stearates, and fatty acid derivatives all play a part in the packaging industry. Other Witco products contribute even more directly to food preparation.

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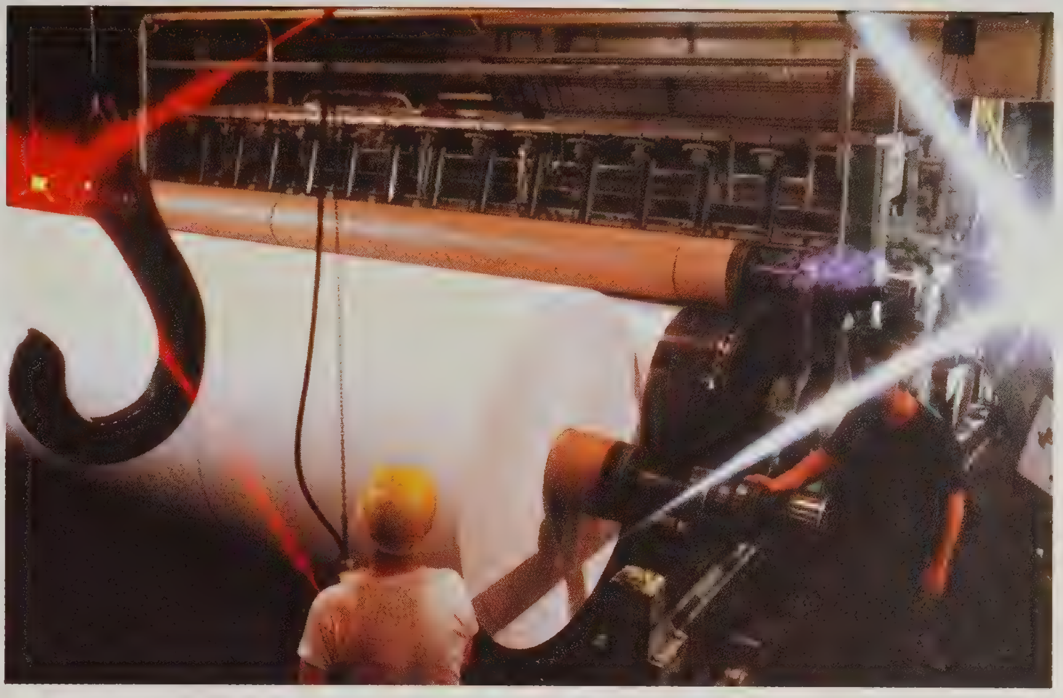

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4
Energy

Witco is engaged in the development and production of crude oil and natural gas and is also a supplier of essential products for use in the recovery of crude oil. The Company's oil and gas assets include properties in Pennsylvania, Ohio, New York, and West Virginia as well as minor interests in Kansas, Colorado, Montana, Oklahoma and Texas. Among its oil field products are tertiary recovery sulfonates and other surfactants, demulsifiers, down-hole anti-corrosion agents, foaming aids, drilling mud dispersants, and thiochemicals.

5
Paper and Printing

The paper and printing industries represent a large market served by Witco. Lithographic plates, developers and related chemicals are used nationwide by printing companies. Products such as asphalt for laminating, oils for ink formulations, stearates for special clay-coated magazine papers and driers, defoamers, microcrystalline waxes and diatomite, are used in many kinds of paper, paperboard and film.

6
Primary and Fabricated Metal Products

Witco products are widely used in the primary and fabricated metal industry. Metal rust-proofing, finishing, and cleaning compounds make frequent use of our products. Related applications include polishing and plating chemicals, buffing compounds, cleaners, coolants, corrosion inhibitors, cutting fluids, defoamers, degreasers, electrode binder pitch, emulsifiers, foaming compounds and a host of other products.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Effective December, 1981, the Company purchased the voting securities of The Richardson Company (Richardson). The acquisition of Richardson was funded by a combination of internally generated cash and liquidation of certain short-term investments. The remaining funds necessary to complete the purchase ($30,688,000 at December 31, 1981) will be available from internal sources.

The Company has domestic and international lines of credit aggregating $96,000,000 and $23,222,000, respectively, of which $9,548,000 of the international line was being utilized at year end.

Capital expenditures in 1981, exclusive of acquisitions, amounted to $55,479,000 and represented a new record for the Company. During the three-year period 1979-1981, the Company's financing of capital additions and acquisitions was met by a combination of funds provided by operations and selective long-term financing.

The Company's current ratio decreased from 2.16 in 1980 to 1.79 in 1981 as a result of the Richardson acquisition; however, Witco is well positioned financially to meet the anticipated cash requirements of the coming years. Increases in working capital are anticipated both to support higher levels of business and to cover inflation. See supplemental financial data for a discussion of the effects of inflation on the Company.

The Company believes that its proven capability to internally generate capital resources, together with its available credit, will provide the flexibility to meet its current and future requirements.

Discussion of the Results of Operations

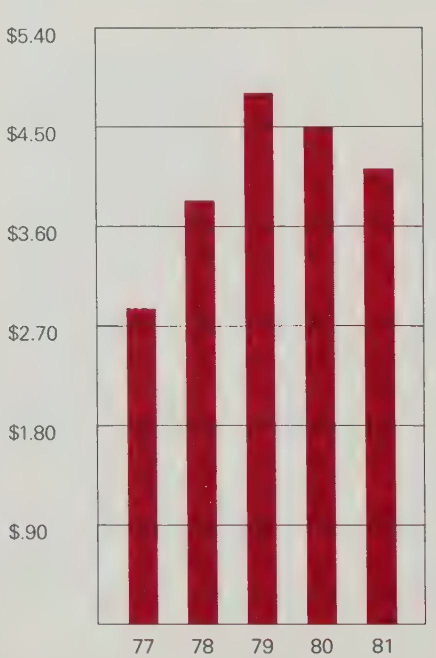
The financial data in the Company's Selected Financial Data included in the Ten Year Statistical Summary on pages 38 and 39, and the sales and operating income of the Company's business segments as shown in Note 14 on pages 29 and 30 of the Notes to Financial Statements, provide the basis for the following discussion of the results of operations.

Sales for 1981 of $1,291,878,000 increased 10 percent over sales of $1,175,695,000 in 1980. Net income for 1981 was $38,580,000 or $4.14 per share, a decline of 6 percent from net income of $40,954,000 or $4.50 per share in 1980.

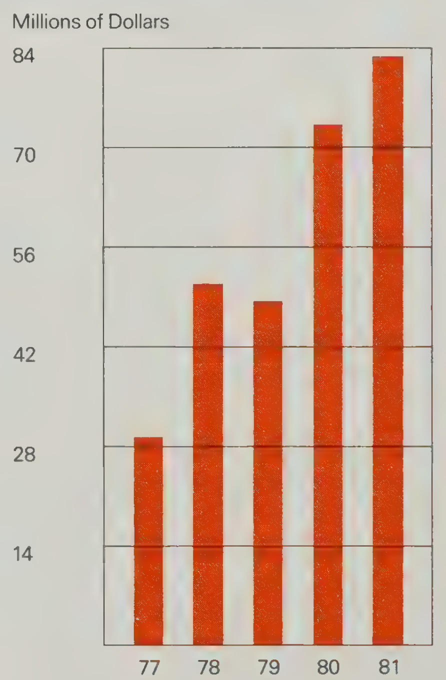
The use of the LIFO method reduced net income by $4,900,000 in 1981 and $8,900,000 in 1980 (net of an increase in income of $1,500,000 in 1981 and $11,100,000 in 1980, resulting from liquidation of LIFO inventory quantities carried at lower prior year costs).

The cost of crude oil was unfavorably impacted as a result of the decontrol of crude oil on January 28, 1981. The immediate effect of decontrol on the Company was to eliminate entitlements received under Department of Energy programs. Consequently, the amount of

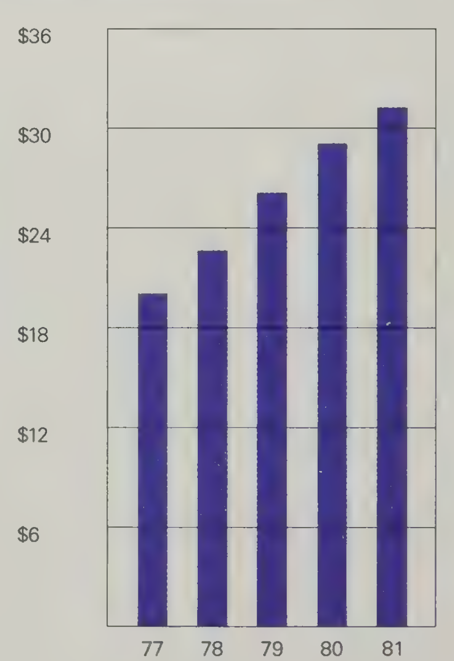
Net Income Per Common Share-Primary



Capital Expenditures



Book Value Per Common Share



entitlements received by the Company amounted to $2,278,000 during 1981, while the Company received $28,782,000 and $13,464,000 for the years 1980 and 1979, respectively.

Since decontrol, the cost of crude oil, exclusive of previously available entitlements, declined slightly during the second half of 1981. Further, selling prices of petroleum products have been increased, which in combination with the crude price decline, partially offset the decline in entitlements.

Comparison of 1981 to 1980

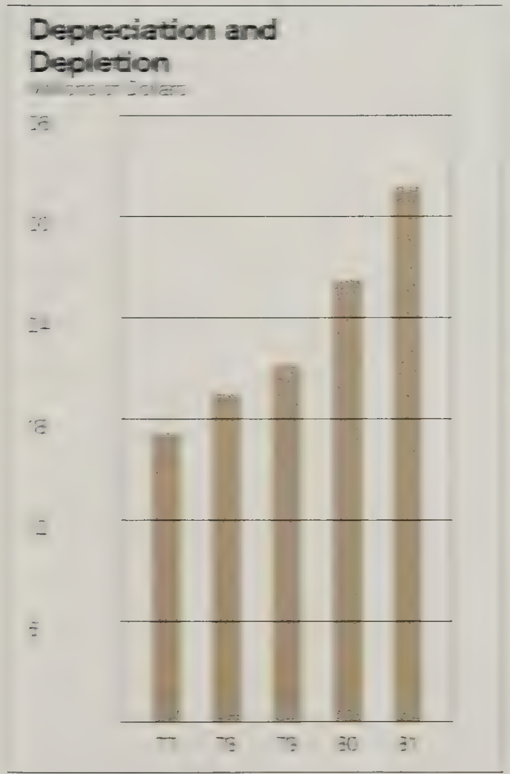
The 10 percent increase in net sales for 1981 was principally due to higher average selling prices of both petroleum and chemical products. Sales were unfavorably affected by declines in unit volume of the petroleum segment, which was partially offset by an increase in unit volume of the chemical segment. The chemical segment was affected favorably by the inclusion of the full year's net sales of Humko Chemical, which was included in 1980 for five months (acquired July, 1980), and accounted for approximately 4 percentage points of the total sales increase. Offsetting the increased sales from Humko Chemical in 1981 was the loss of sales from the domestic private label packaged detergent business sold in April, 1981.

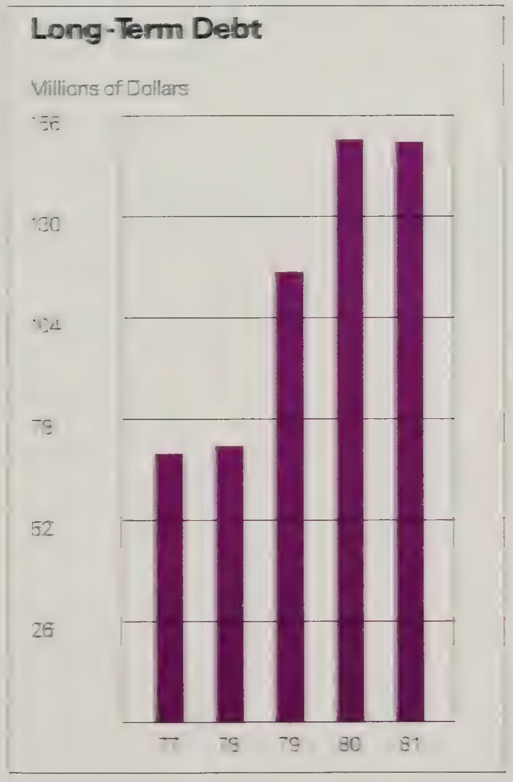
Operating income for the petroleum segment declined by 17 percent primarily as a result of increased raw material costs and a decline in entitlements which was not fully recovered through sales price increases. Operating income for the chemical segment increased 35 percent, which primarily reflects the contribution of Humko Chemical and an overall increase in sales. Further affecting operating income in 1981 were foreign currency translation losses of $5,669,000 or 61 cents per share. Increase in corporate general expense—net is primarily the result of increased salary costs and professional and consulting fees.

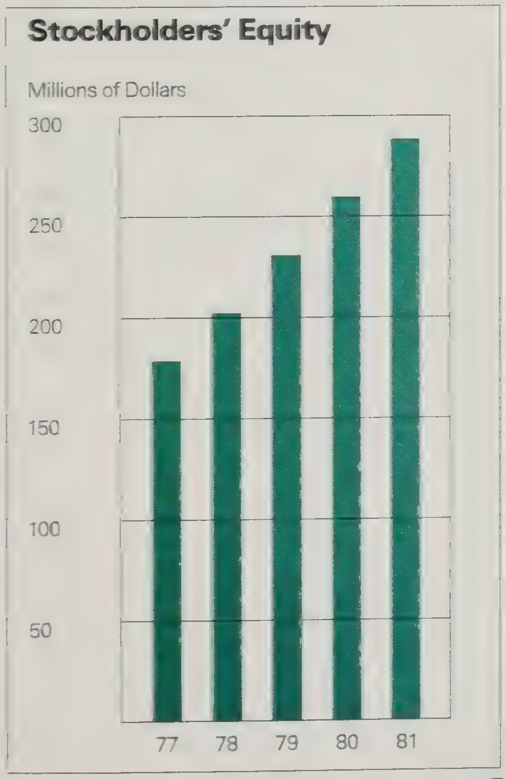
Comparison of 1980 to 1979

The 22 percent increase in net sales for 1980 was principally due to higher selling prices in the Company's petroleum segment and the acquisition of Humko Chemical and Pearsall Chemical Corporation.

Operating income of the Company's petroleum segment increased 18 percent principally as a result of higher sales prices, while the chemical segment, excluding acquisitions, decreased 2 percent. Although the Company's operating income increased, profit margins decreased principally as a result of reduced unit volume and the impact of inflation on cost of goods sold through the use of the LIFO inventory valuation method in both of the Company's business segments. In addition, operating income in 1980 for the petroleum segment was affected by the Windfall Profit Tax. Increase in corporate general expense—net is primarily the result of the Company's recent acquisitions and increased salary costs.







Responsibility For Financial Statements

Witco is responsible for the integrity of the financial data reported by it and its subsidiary companies. This requires preparing financial statements and other financial data which fairly reflect Witco's consolidated financial position and results of operations in accordance with generally accepted accounting principles, including certain data that is based on management's best estimates and judgement.

In the preparation of its financial data and to safeguard its assets, Witco establishes and maintains accounting and reporting systems supported by internal accounting controls. Witco believes that a high level of internal accounting control is maintained by the selection and training of qualified personnel, by appropriate delegation of authority and division of responsibilities, by the establishment and communication of accounting and business policies and by conducting internal audits including follow-up procedures that require responsive action by management. In establishing systems of internal accounting control, Witco weighs the cost of such systems against the benefits that it believes can be derived.

Ernst & Whinney, independent accountants, are engaged to examine and to render an opinion as to whether Witco's financial statements, considered in their entirety, present fairly Witco's consolidated financial position and operating results. Their examinations are conducted in accordance with generally accepted auditing standards, and their report is included herein.

The Audit Committee of the Board of Directors, consisting of three outside directors, reviews Witco's accounting and auditing policies, practices and the services to be performed by the independent accountants. The Audit Committee meets with management, with the internal auditors, and with the independent accountants in the exercise of its responsibilities.

Consolidated Balance Sheets

Witco Chemical Corporation
and Subsidiary Companies

(thousands of dollars except per share data)

		December 31 1981	1980
Assets	**Current Assets**		
	Cash, including certificates of deposit	**$ 14,392**	$ 10,855
	Short-term investments—at cost which approximates market	**53,852**	63,459
	Accounts and notes receivable, less allowance of $3,123 and $2,080	**199,923**	191,601
	Inventories	**117,208**	83,476
	Prepaid and other current assets	**10,255**	4,710
	Total Current Assets	**395,630**	354,101
	Property, Plant and Equipment*, less accumulated depreciation and depletion of $213,362 and $199,754	**281,945**	238,761
	Intangibles Applicable to Companies Acquired, less accumulated amortization of $1,780 and $1,490	**18,179**	18,102
	Deferred Costs and Other Assets	**29,606**	20,020
	Total Assets	**$725,360**	$630,984
Liabilities and Stockholders' Equity	**Current Liabilities**		
	Notes and loans payable, including current portion of long-term debt	**$ 13,139**	$ 6,613
	Liability in connection with the acquisition of The Richardson Company	**30,688**	—
	Accounts payable and other liabilities	**176,841**	157,513
	Total Current Liabilities	**220,668**	164,126
	Long-Term Debt	**149,767**	150,442
	Deferred Credits	**58,773**	49,999
	Stockholders' Equity		
	$2.65 Cumulative Convertible Preferred Stock, par value $1 per share Authorized—51,820 shares and 56,727 shares Issued and outstanding 51,417 shares and 56,652 shares	**51**	57
	Common Stock, par value $5 per share Authorized—20,000,000 shares Issued and outstanding 9,314,827 shares and 9,005,355 shares	**46,574**	45,027
	Capital in Excess of Par Value	**10,376**	4,859
	Retained Earnings	**239,151**	216,474
	Total Stockholders' Equity	**296,152**	266,417
	Total Liabilities and Stockholders' Equity	**$725,360**	$630,984

*Oil and gas production property, plant and equipment are accounted for in accordance with the successful efforts method of accounting.

See accompanying notes

Consolidated Statements of Income

Witco Chemical Corporation
and Subsidiary Companies

(thousands of dollars except per share data)	1981	1980	1979
Net Sales and Other Income			
Net sales	**$1,291,878**	$1,175,695	$966,758
Other	**13,250**	8,928	10,247
	1,305,128	1,184,623	977,005
Costs and Expenses			
Cost of goods sold	**1,087,920**	979,347	798,321
Selling and administrative expenses	**102,416**	94,386	77,357
Depreciation and depletion	**31,750**	26,412	21,326
Interest	**14,679**	11,598	6,617
	1,236,765	1,111,743	903,621
Income Before Federal and Foreign Income Taxes	**68,363**	72,880	73,384
Federal and Foreign Income Taxes	**29,783**	31,926	30,602
Net Income	**$ 38,580**	$ 40,954	$ 42,782
Per Common Share			
Net income	**$4.14**	$4.50	$4.83
Net income—assuming full dilution	**$3.94**	$4.22	$4.48

See accompanying notes

Consolidated Statements of Changes in Financial Position

Witco Chemical Corporation
and Subsidiary Companies

(thousands of dollars)

		1981	1980*	1979*
Sources of Funds	Operations			
	Net Income	**$ 38,580**	$ 40,954	$ 42,782
	Items not requiring or (providing) funds:			
	Depreciation, depletion and amortization	**33,021**	27,087	21,419
	Deferred credits—net	**8,774**	12,366	7,747
	Gain on dispositions	**(3,209)**	—	—
	Other items—net	**1,308**	638	(3,310)
	Total From Operations	**78,474**	81,045	68,638
	Liability in connection with the acquisition of The Richardson Company	**30,688**	—	—
	Increase (decrease) in accounts payable and other liabilities	**19,328**	(10,308)	58,184
	Proceeds from dispositions:			
	Minority interests	**8,079**	—	—
	Plants	**8,030**	17	—
	Increase (decrease) in notes and loans payable	**6,526**	(1,376)	3,170
	Issuance of common stock:			
	Conversions	**3,071**	954	—
	Acquisitions	**1,290**	710	2,575
	Stock options	**2,643**	778	361
	Proceeds from issuing long-term debt	**1,131**	40,516	50,239
	Other	**1,019**	2,072	(617)
	Total Sources	**$160,279**	$114,408	$182,550
Uses of Funds	Property, plant and equipment expenditures	**$ 55,479**	$ 45,663	$ 40,890
	Acquisitions, less net current assets acquired of $30,494 (1981), $16,351 (1980) and $1,656 (1979)	**32,706**	33,515	6,856
	Increase (decrease) in inventories	**33,732**	(27,178)	24,004
	Dividends declared	**15,849**	14,044	12,035
	Reduction of long-term debt	**7,102**	6,937	5,333
	Increase in accounts and notes receivable	**8,322**	35,814	45,451
	Increase in deferred costs	**7,614**	4,332	—
	Increase (decrease) in prepaid and other current assets	**5,545**	(445)	814
	Total Uses	**$166,349**	$112,682	$135,383
	Increase (decrease) in cash and short-term investments	**$ (6,070)**	$ 1,726	$ 47,167

Exclusive of conversion of preferred stock into common stock

*Reclassified

See accompanying notes

Consolidated Statements of Stockholders' Equity

Witco Chemical Corporation
and Subsidiary Companies

(in thousands)	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Retained Earnings	Capital in Excess of Par Value	Total
Balance December 31, 1978	8,677	$43,385	87	$87	$159,127	$ 783	$203,382
Net income for 1979					42,782		42,782
Cash dividends declared:							
Preferred stock					(189)		(189)
Common stock					(11,846)		(11,846)
Conversions	82	411	(22)	(22)	(226)	(163)	—
Exercise of options	20	102				259	361
Issued in connection with acquisitions	97	483				2,092	2,575
Balance December 31, 1979	8,876	44,381	65	65	189,648	2,971	237,065
Net income for 1980					40,954		40,954
Cash dividends declared:							
Preferred stock					(157)		(157)
Common stock					(13,887)		(13,887)
Conversions	59	296	(8)	(8)	(84)	750	954
Exercise of options	44	221				557	778
Issued in connection with acquisitions	26	129				581	710
Balance December 31, 1980	9,005	45,027	57	57	216,474	4,859	266,417
Net income for 1981					**38,580**		**38,580**
Cash dividends declared:							
Preferred stock					**(140)**		**(140)**
Common stock					**(15,709)**		**(15,709)**
Conversions	**112**	**559**	**(6)**	**(6)**	**(54)**	**2,572**	**3,071**
Exercise of options	**150**	**751**				**1,892**	**2,643**
Issued in connection with acquisitions	**48**	**237**				**1,053**	**1,290**
Balance December 31, 1981	**9,315**	**$46,574**	**51**	**$51**	**$239,151**	**$10,376**	**$296,152**

See accompanying notes

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of all majority owned subsidiaries after the elimination of inter-company transactions. Investments in associated companies are accounted for on the equity basis and investments in other companies are carried at cost.

Inventories: Inventories are stated at cost, principally on the Last-In, First-Out basis (LIFO) which is not in excess of market. The balance of the inventories is stated at the lower of cost on the First-In, First-Out basis (FIFO) or market.

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Cost of oil and gas producing properties and development costs associated with those properties are capitalized on an individual lease basis in accordance with the successful efforts method of accounting.

Depreciation of other than oil and gas producing properties are provided principally on the straight line method based on the estimated useful lives of the depreciable assets and the terms of the related leases.

Depreciation and depletion of oil and gas producing properties are computed by the unit of production method based on proved reserves for mineral rights and proved developed reserves for development costs.

Intangibles Applicable to Companies Acquired: The excess of purchase price paid over the fair market value of net assets acquired prior to November 1970 is not being amortized because, in the opinion of management, there has been no diminution of value. Amounts applicable to companies acquired since that date are being amortized over a period not in excess of 40 years.

Deferred Credits: Deferred credits consist principally of deferred federal and foreign income taxes which result primarily from timing differences and investment tax credits which are being amortized over the estimated useful lives of the related fixed assets.

Translation of Foreign Currency: Assets and liabilities of foreign subsidiaries are translated into United States dollars at the applicable rates of exchange in effect at their year end (November 30), except inventories and property, plant and equipment which are translated at historical rates. Sales and expenses are translated at the year's average rates of exchange, except for cost of goods sold, depreciation and amortization which are translated at the same rates as the related assets. Translation gains and losses are included in net income.

Pension Plans: The Company funds pension plans based on appropriate actuarial methods and pension costs are based on such methods. Past service costs for the plans are amortized over periods of ten to forty years.

Net Income Per Common Share: Net income per common share is based upon the weighted average number of common shares outstanding during each year, including common shares issuable in connection with the acquisition of a company and after recognition of the dividend requirements on preferred stocks. Common shares issuable in connection with stock options are omitted from this computation since their inclusion would not have a material dilutive effect on the per share amounts. Fully diluted net income per common share reflects the assumed conversion of the outstanding cumulative convertible preferred stock, convertible subordinated debentures and the exercise of those stock options that would have a dilutive effect. Related dividend and interest requirements (net of tax effect) have been eliminated.

Note 2. Acquisitions and Dispositions

In November, 1981, a wholly-owned subsidiary of the Company offered to purchase all of the outstanding common and preferred shares of The Richardson Company (Richardson), a producer of specialty chemicals and engineered industrial materials and parts. As of December 31, 1981, the Company, through a subsidiary, had purchased for cash approximately 53% of the outstanding voting securities of Richardson. All common shares of Richardson which have not been tendered will be cancelled by means of a statutory merger, to be

Note 2. (continued)

effected during February, 1982, pursuant to which each common shareholder of Richardson will have the right to receive $27.50 per share in cash. The acquisition was accounted for as a purchase as of December 31, 1981 and, accordingly, the net assets acquired have been included in the accompanying consolidated balance sheet. The total purchase price of approximately $62,500,000 of which $31,812,000 was expended during 1981, was allocated on a tentative basis to the net tangible assets acquired based upon their estimated fair value. Net sales and earnings of Richardson have not been included in the consolidated statements of income.

The following summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the year ended December 31, 1981 and 1980, with preacquisition earnings of Richardson for comparable periods. The amounts for both years include adjustments for depreciation and amortization and for interest income.

	Unaudited	
	1981	1980
Net sales	**$1,469,954,000**	$1,331,999,000
Net income	**$ 36,230,000**	$ 38,148,000
Net income per common share	**$ 3.89**	$ 4.19
Net income assuming full dilution	**$ 3.70**	$ 3.94

In October, 1981, the Company purchased for $1,050,000 activated carbon product and process technology. During June, 1981, the Company acquired Beam Oil Company, Inc. for approximately 25,000 shares of the Company's common stock. These acquisitions were accounted for as purchases and had no material effect on the Company's financial position or results of operations.

In April, 1981, the Company sold for cash its domestic private label packaged detergent business. In July, 1981, the Company sold its minority interest in the Continental Carbon Company for cash. Included in the consolidated statement of income for 1981 are the gains, net of taxes, from these transactions of approximately $1,232,000 ($.13 per share) and $1,045,000 ($.11 per share), respectively.

During July, 1980, the Company purchased for approximately $38,000,000 the inventories, accounts receivable and other assets of Humko Chemical, a major producer of fatty acids, amides, amines, and other specialties. In February, 1980, the Company acquired Pearsall Chemical Corporation, a company engaged in the manufacture of specialty chemical products for approximately $12,000,000. These acquisitions had a minimal effect on net income in 1980 and contributed $4,444,000 ($.47 per share) in 1981. These transactions were accounted for as purchases.

In 1979, the Company acquired Surpass Chemicals Limited, of Canada, a manufacturer of lubricant additive components and specialized lubricants, for approximately 307,000 shares of the Company's common stock. This transaction was accounted for as a purchase and had no material effect on the Company's earnings in 1979.

Note 3. Inventories

Inventories are classified as follows:

	1981	1980
Raw materials and supplies	**$ 51,431,000**	$37,051,000
Finished goods	**65,777,000**	46,425,000
	$117,208,000	$83,476,000

Work in process included above is not significant.

Inventories valued on a LIFO basis, at December 31, 1981 and 1980 amounted to $79,749,000 and $51,598,000, respectively. The inventories would have been $117,763,000 and $108,651,000 higher than reported at December 31, 1981 and 1980, respectively, if the FIFO method of inventory accounting (which approximates current cost) had been used by the Company for all of its inventories. Liquidations of LIFO inventories increased net income by $1,500,000 ($.16 per share) and $11,100,000 ($1.22 per share) in 1981 and 1980, respectively.

Note 4. Property, Plant and Equipment

Capital expenditures in 1981 totaled $83,114,000 and, in 1980, $73,411,000, of which $27,635,000 and $27,748,000, respectively, were applicable to acquisitions. A summary of property, plant and equipment follows:

	1981	1980
Land	**$ 9,752,000**	$ 8,988,000
Mineral rights leaseholds	**13,865,000**	13,727,000
Intangible development costs	**27,594,000**	21,989,000
Buildings and building improvements	**66,374,000**	61,300,000
Machinery, fixtures and equipment	**361,318,000**	320,371,000
Leasehold improvements and related equipment	**3,000,000**	1,806,000
Assets under construction	**13,404,000**	10,334,000
	495,307,000	438,515,000
Accumulated depreciation and depletion	**213,362,000**	199,754,000
	$281,945,000	$238,761,000

At December 31, 1981, the estimated costs to complete assets under construction and other projects currently authorized but not yet started amounted to $38,000,000.

The Company has capitalized interest of $1,275,000 (1981), $1,339,000 (1980) and $800,000 (1979) related to qualifying assets under construction. Total interest incurred during the same periods was $15,954,000, $12,937,000 and $7,417,000, respectively.

Note 5. Long-Term Debt

Following is a summary of long-term debt:

	1981	1980
12% Senior Notes due 1995 with annual installments of $4,000,000 starting 1986	**$ 40,000,000**	$ 40,000,000
9½% Sinking Fund Debentures due 2009 with annual sinking fund payments of $2,500,000 beginning in 1990	**50,000,000**	50,000,000
8⅛% Notes due 1993 with annual installments of $1,000,000	**12,000,000**	13,000,000
7.45% Debentures due 1997 with annual sinking fund payments of $1,250,000	**17,315,000**	17,515,000
4½% Convertible Subordinated Debentures due 1993 with annual sinking fund payments of $750,000	**9,458,000**	12,530,000
Other	**24,185,000**	19,813,000
	152,958,000	152,858,000
Amount included in current liabilities	**3,191,000**	2,416,000
	$149,767,000	$150,442,000

The 4½% Convertible Subordinated Debentures are convertible into shares of Witco's common stock at $33.33 per share. The Company has acquired sufficient amounts of 7.45% Debentures and 4½% Convertible Subordinated Debentures to satisfy sinking fund requirements through 1983 and 1985, respectively.

As at December 31, 1981, principal payments on consolidated long-term debt required through 1986 amounted to $3,191,000 (1982), $2,711,000 (1983), $5,576,000 (1984), $3,167,000 (1985) and $7,666,000 (1986).

Note 6. Credit Arrangements

At December 31, 1981, the Company had domestic bank lines of credit aggregating $96,000,000. There are no formal compensating balance requirements; however, the Company has customarily maintained average compensating balances of approximately 5% of the lines. Additionally, the Company has arrangements with various banks for lines of credit for its foreign subsidiaries aggregating $23,222,000, of which $9,548,000 was being utilized at year end.

Note 7. Stockholders' Equity

At December 31, 1981, unissued common stock of the Company is reserved for issuance in accordance with the terms of the 4½% Convertible Subordinated Debentures (283,768 shares), the $2.65 Cumulative Convertible Preferred Stock (192,042 shares), stock option plans (456,900 shares) and in connection with the acquisition of a company (160,634 shares).

The Company has two stock option plans for employees. All options are granted at market value on date of grant. All options granted are exercisable in installments within a period not to exceed five years from date of grant. One of the plans, as an alternative, permits optionees to

Note 7. (continued)

receive cash and/or stock equal to the difference between the market value on the date of exercise and the option exercise price. The aggregate difference is charged to operations over the vesting period. At December 31, 1981, options for 200,000 shares of common stock were available for grant.

Stock option transactions under the plans were as follows:

	1981		1980	
	Shares	Price	Shares	Price
Outstanding at beginning of year	**207,221**	**$17.58⅓**	255,100	$17.58⅓
Granted	**200,000**	**$27.87½**	—	—
Exercised	**(150,321)**	**$17.58⅓**	(44,279)	$17.58⅓
Cancelled	**—**	**—**	(3,600)	$17.58⅓
Outstanding at end of year	**256,900**	**$17.58⅓-27.87½**	207,221	$17.58⅓
Exercisable at end of year	**56,900**	**$17.58⅓**	207,221	$17.58⅓

Each share of $2.65 Cumulative Convertible Preferred Stock, par value $1, is entitled to one vote; is subject to redemption at the Company's option at $66 per share; has a minimum liquidating preference of $66 per share; and is convertible into 3.735 shares of the Company's common stock.

Note 8. Federal and Foreign Income Taxes

Components of income before federal and foreign income taxes consist of the following:

	1981	1980	1979
Domestic	**$60,651,000**	$63,385,000	$61,838,000
Foreign	**7,712,000**	9,495,000	11,546,000
	$68,363,000	$72,880,000	$73,384,000

Federal and foreign income taxes consist of the following:

	1981	1980	1979
Current			
Domestic	**$13,401,000**	$15,640,000	$18,574,000
Foreign	**4,592,000**	3,740,000	4,985,000
Deferred			
Domestic	**8,892,000**	8,813,000	4,582,000
Foreign	**593,000**	1,132,000	473,000
Effect on federal taxes of investment tax credits net of amortization	**2,305,000**	2,601,000	1,988,000
	$29,783,000	$31,926,000	$30,602,000

The components of deferred income taxes which result from timing differences between financial and tax reporting are:

	1981	1980	1979
Accelerated depreciation	**$4,614,000**	$4,054,000	$2,938,000
Deferred costs	**2,464,000**	1,167,000	—
Other	**2,407,000**	4,724,000	2,117,000
	$9,485,000	$9,945,000	$5,055,000

The effective income tax rate varied from the statutory federal income tax rate as follows:

	1981	1980	1979
Statutory federal income tax rate	**46.0%**	46.0%	46.0%
Investment tax credit	**(2.5)**	(1.8)	(1.6)
Effect of foreign income tax rates	**2.4**	(1.4)	(.7)
Other	**(2.3)**	1.0	(2.0)
Effective income tax rate	**43.6%**	43.8%	41.7%

Accumulated unremitted earnings of foreign subsidiaries at December 31, 1981 aggregated $38,743,000. As a result of the availability of foreign tax credits, based on current U.S. tax rates, no U.S. income taxes would be payable if the earnings of the foreign subsidiaries were distributed.

Note 9. Oil and Gas Producing Activities

Following is information regarding historical costs and revenues associated with oil and gas producing activities. In addition, estimated quantities of proved oil and gas reserves and estimated future net revenues and values of proved oil and gas reserves, disclosures required by the Securities and Exchange Commission (SEC) regulations, can be found on pages 34 through 37 of this Annual Report to Stockholders.

All of the Company's proved developed and undeveloped reserves are located in the United States. Capitalized costs at December 31, 1981 and 1980 attributable to the oil and gas producing activities amounted to $68,643,000 and $59,431,000, respectively. The related accumulated depreciation and depletion amounted to $39,647,000 (1981) and $35,107,000 (1980).

Costs Incurred in Oil and Gas Producing Activities

	1981	1980	1979
Exploration costs	**$ 1,455,000**	$ 36,000	$ —
Property acquisitions	**135,000**	143,000	353,000
Development	**8,767,000**	6,381,000	5,764,000
Production	**12,726,000**	11,107,000	5,625,000
	$23,083,000	$17,667,000	$11,742,000
Provision for depreciation and depletion	**$ 5,552,000**	$ 3,374,000	$ 2,691,000

(1) Exploration costs incurred in 1981 represent an expansion of the Company's drilling program to include exploratory wells on unproven properties. In prior years, efforts were directed primarily at proven undeveloped properties.
(2) The increase in production costs in 1980 was primarily the result of the Windfall Profit Tax enacted by Congress in February, 1980.

Net Revenues from Oil and Gas Production and Gross Sales to the Company's Refinery Operations

	1981	1980	1979
Net revenues	**$14,082,000**	$14,867,000	$11,529,000
Gross sales to refinery operations	**$18,443,000**	$18,395,000	$12,831,000

(1) Net revenues are gross revenues less production (lifting) costs. Gross revenues include the amounts received in sales transactions attributable to net working interests, royalty interests, oil payment interests and net profit interests.
(2) Gross sales to refinery operations are included in gross revenues at estimated market prices based on posted field prices.

Note 10. Pension Plans

The Company has several defined benefit pension plans covering substantially all of its employees.

Pension costs expensed under pension plans amounted to $4,980,000 (1981), $5,666,000 (1980) and $4,100,000 (1979). The decrease in 1981 pension expense results from the change in the actuarial interest rate assumption and the amortization of actuarial gains. The increase in 1980 pension expense was primarily due to an improvement in benefits under the minimum pension formula.

Accumulated plan benefit information, as estimated by the Company's consulting actuaries, and plan net assets for the Company's domestic plans (including in 1981 those applicable to Richardson) as of January 1, 1981 and 1980 are presented below:

	1981	1980
Actuarial present value of accumulated plan benefits		
Vested	**$72,593,000**	$44,650,000
Nonvested	**6,764,000**	1,659,000
	$79,357,000	$46,309,000
Net assets available for benefits (market value)	**$87,766,000**	$45,612,000
Actuarial interest rate assumption	**6½%**	6%

The Company's foreign pension plans are not required to report to certain U.S. governmental agencies pursuant to ERISA and thus certain subsidiaries do not determine the information disclosed above.

Note 11. Leases

Rental expense under operating leases in the year 1981 was $12,275,000 as compared to $10,540,000 in 1980 and $10,000,000 in 1979.

At December 31, 1981, minimum rental commitments under noncancellable operating leases amounted to:

	Total	Real Estate	Equipment
1982	$10,550,000	$ 4,890,000	$ 5,660,000
1983	8,127,000	4,759,000	3,368,000
1984	6,840,000	4,710,000	2,130,000
1985	6,178,000	4,529,000	1,649,000
1986	4,958,000	4,083,000	875,000
1987 and thereafter	51,458,000	49,085,000	2,373,000
	$88,111,000	$72,056,000	$16,055,000

Note 12. Other Matters

The Company's petroleum refining operations were subject to various federal regulations administered by the Department of Energy (D.O.E.) governing crude oil and petroleum product costs, prices and procedures, including prior to its termination date, January 28, 1981, the Crude Oil Equalization (Entitlements) Program. The purpose of the Entitlements Program was to equalize the cost of crude oil among all refiners. The Company has reduced cost of goods sold in the accompanying consolidated statements of income by entitlements received under the program of $2,278,000 (1981), $28,782,000 (1980) and $13,464,000 (1979).

The Company's compliance with these federal regulations was audited by the D.O.E. On July 10, 1981 a D.O.E. Consent Order with the Company became effective. The Consent Order terminated the audit of the Company's compliance with the Mandatory Petroleum Price and Allocation Regulations that were in effect prior to January 28, 1981, and settled all issues and disputes concerning matters covered by the terms of the Consent Order. The settlement resulted in a charge to net income in 1981 of approximately $936,000 ($.10 per share).

The Company has a minority interest investment in Petroquimica Argentina S.A. (PASA) which was fully reserved for prior to 1979 as a result of economic problems and instability in Argentina. During 1979, as a result of improved profitability of PASA and its continuing ability to meet its debt obligations, the Company eliminated the valuation reserve amounting to $1,845,000.

The Company's research and development costs of $16,300,000 in 1981, $14,600,000 in 1980, and $11,600,000 in 1979 were charged to expense as incurred.

Note 13. Litigation

The Company, along with other parties and certain Company employees, is a defendant in a civil action alleging, among other claims, violations of certain provisions of the federal antitrust laws based upon alleged activities of the Company's former polybutylene business. Damages of $48,000,000, including treble damage antitrust claims of $45,000,000, are being sought in this action, which is expected to be tried in 1982. An additional party has intervened in the action, claiming treble damages under the federal antitrust laws of approximately $31,000,000. The Company is aware of an additional claim, asserted in an action which has been dismissed without prejudice, alleging $18,000,000 in damages, consisting principally of treble damage antitrust claims relating to a portion of the former polybutylene business. Management considers each of the described claims to be without merit and is contesting them.

There are also various other lawsuits pending against the Company arising out of the conduct of its business.

Counsel to the Company has advised that it does not consider that the outcome of the above lawsuits will have a material adverse effect on the Company's business or financial position.

Note 14. Operation by Industry Segment and Geographic Area

(thousands of dollars)	1981	1980	1979
Industry Segment Data			
Net Sales			
Petroleum segment			
Petroleum products	**$ 669,647**	$ 624,651	$506,377
Asphalt and coal tar products	**70,163**	64,942	52,807
Miscellaneous	**47,944**	38,223	25,359
Intersegment	**6,615**	3,915	4,515
Total Petroleum	**794,369**	731,731	589,058
Chemical segment			
Chemical products	**409,912**	321,106	264,275
Detergent products	**82,106**	118,790	105,138
Miscellaneous	**12,106**	7,983	12,802
Intersegment	**5,995**	5,455	3,897
Total Chemical	**510,119**	453,334	386,112
Elimination—intersegment	**(12,610)**	(9,370)	(8,412)
Net Sales	**$1,291,878**	$1,175,695	$966,758
Operating Income			
Petroleum	**$ 62,921**	$ 76,213	$ 64,418
Chemical	**47,804**	35,424	34,393
Total Operating Income	**110,725**	111,637	98,811
General Corporate Expenses—net	**(40,373)**	(32,697)	(22,592)
Interest Expense—net	**(1,989)**	(6,060)	(2,835)
Income Before Income Taxes	**$ 68,363**	$ 72,880	$ 73,384
Identifiable Assets			
Petroleum	**$ 314,683**	$ 290,800	$259,805
Chemical	**239,271**	244,231	215,529
The Richardson Company	**89,181**	—	—
Corporate	**82,225**	95,953	90,936
Total Identifiable Assets	**$ 725,360**	$ 630,984	$566,270
Depreciation and Depletion			
Petroleum	**$ 19,379**	$ 14,909	$ 12,215
Chemical	**11,837**	11,023	8,816
Corporate	**534**	480	295
Total Depreciation and Depletion	**$ 31,750**	$ 26,412	$ 21,326
Capital Expenditures			
Petroleum	**$ 35,632**	$ 27,767	$ 29,463
Chemical	**16,833**	44,773	18,006
Property of The Richardson Company	**27,492**	—	—
Corporate	**3,157**	871	1,042
Total Capital Expenditures	**$ 83,114**	$ 73,411	$ 48,511

(continued)

Note 14. (continued)

(thousands of dollars)	**1981**	1980	1979
Geographic Area Data			
Net Sales			
Domestic			
Petroleum	**$ 721,917**	$ 649,746	$529,294
Chemical	**389,890**	332,438	277,280
Inter-area	**18,368**	17,692	13,917
Total Domestic	**1,130,175**	999,876	820,491
International			
Petroleum	**65,837**	78,069	55,249
Chemical	**114,234**	115,442	104,935
Inter-area	**9,913**	5,351	1,352
Total International	**189,984**	198,862	161,536
Elimination—inter-area	**(28,281)**	(23,043)	(15,269)
Net Sales	**$1,291,878**	$1,175,695	$966,758
Operating Income			
Domestic	**$ 101,882**	$ 97,028	$ 85,407
International	**8,843**	14,609	13,404
Total Operating Income	**110,725**	111,637	98,811
General Corporate Expenses—net	**(40,373)**	(32,697)	(22,592)
Interest Expense—net	**(1,989)**	(6,060)	(2,835)
Income Before Income Taxes	**$ 68,363**	$ 72,880	$ 73,384
Identifiable Assets			
Domestic	**$ 621,081**	$ 532,207	$470,438
International	**104,279**	98,777	95,832
Total Identifiable Assets	**$ 725,360**	$ 630,984	$566,270

The Company is a domestic and international producer of a wide range of special purpose chemical and petroleum products as well as engineered materials and parts for industrial and consumer use.

Intersegment and inter-area sales are accounted for on the same basis used to price sales for similar non-affiliated customers; such sales are eliminated in arriving at consolidated amounts.

Operating income is operating revenue less operating expenses.

Corporate assets are principally cash, short-term investments, investments in associated and other companies and deferred costs.

International area includes the following percentages of operations in Western Europe and Canada:

	1981		1980		1979	
	Western Europe	Canada	Western Europe	Canada	Western Europe	Canada
Sales	**55%**	**28%**	61%	24%	64%	21%
Operating Income (loss)	**(5%)**	**74%**	37%	45%	62%	22%
Identifiable Assets	**60%**	**27%**	64%	25%	66%	23%

Additional information with respect to subsidiaries operating in foreign countries is as follows:

	1981	1980
Total Assets	**$104,279**	$98,777
Total Liabilities	**$ 46,366**	$42,691

The major difference between international operating income and international net income is the net effect of interest expense and foreign income taxes. Net income includes translation and transaction losses amounting to $6,036,000 (1981), $1,217,000 (1980) and $638,000 (1979).

Report of Ernst & Whinney, Independent Accountants

Board of Directors
Witco Chemical Corporation
New York, New York

We have examined the consolidated balance sheets of Witco Chemical Corporation and subsidiary companies as of December 31, 1981 and 1980, and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Witco Chemical Corporation and subsidiary companies at December 31, 1981 and 1980, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

New York, New York
January 28, 1982

Quarterly Financial Data (unaudited)
(thousands of dollars except per share data)

	1981				1980			
Quarter	Net Sales	Cost of Goods Sold	Net Income	Earnings Per Share	Net Sales	Cost of Goods Sold	Net Income	Earnings Per Share
First	**$ 323,508**	**$ 286,290**	**$ 5,895**	**$ .64**	$ 285,568	$ 245,966	$10,459	$1.15
Second	**335,544**	**290,755**	**10,262**	**1.11**	279,406	232,713	11,153	1.23
Third	**326,097**	**278,334**	**11,200**	**1.19**	298,954	261,580	9,169	1.01
Fourth	**306,729**	**264,291**	**11,223**	**1.20**	311,767	265,500	10,173(a)	1.11(a)
Total	**$1,291,878**	**$1,119,670**	**$38,580**	**$4.14**	$1,175,695	$1,005,759	$40,954	$4.50

(a) Results of the fourth quarter of 1980 were impacted by inflation through the use of the LIFO inventory method resulting in a reduction in net income of approximately $4,900,000. This was offset by a liquidation of LIFO inventories resulting in an increase in net income of approximately $9,300,000.

Supplemental Financial Data

The Impact of Inflation on Financial Results

The information presented in this section is supplied in accordance with the requirements of the Financial Accounting Standards Board (FASB) Statement No. 33 Financial Reporting and Changing Prices. The purpose of the disclosures herein is to present the impact of changing prices caused by inflation and other factors on the results of the Company. The adjusted statements and other financial statistical data presented herein are specifically intended to reflect the effect that increased current costs (developed through applying indexes to historical data) have had on the Company when measured against current revenues. Traditional historical based statements include certain non-current costs which do not reflect changes in the purchasing power of the dollars involved.

Two basic types of adjustments are made to elements of cost:

1. Adjusted for general inflation for which the Consumer Price Index is used (as stipulated by the FASB).
2. Adjusted for changes in specific prices which have been measured using selected indexes which are particular to the business segment and expense elements being adjusted.

In accordance with the financial accounting standard, adjustments to the statements of income have been limited to the effects on depreciation and depletion and to cost of goods sold. The increases in depreciation and depletion under the two adjusted statements represent increases in fixed asset costs as the result of revising the fixed asset gross costs to current levels. Since the Company utilizes the LIFO inventory method which, for the most part, results in cost of goods sold being stated at current cost levels, the adjustments to cost of goods sold represent increases in costs attributable to the replacement of LIFO liquidations and to adjust costs related to inventories stated at FIFO.

The provision for taxes remains constant, however, since taxes, as required by the FASB, are computed on a historical basis and are not changed because of these computations. This results in an increased effective tax rate from 43.6% on a historical basis to 60.1% on a general inflation basis and to 64.8% for changes in specific prices, which distorts net income, in the Company's opinion.

The relationship of net income and per share amounts as computed adjusted for specific prices compared to the results reported in the primary statements showed a significant improvement from 1980 to 1981 (adjusted to 1981 constant dollars), whereas the results adjusted for general inflation remained virtually static. The 1980 results adjusted for specific prices were materially affected by an adjustment to reverse the impact of LIFO liquidations on cost of goods sold. This effect on 1980 resulted from the reduction in certain inventory levels, in accordance with the Company's inventory management goals.

The purchasing power gain for 1981 of $7,198,000 reflects the holding gain due to the maintenance of the net monetary liability position for the year. This gain was less than the prior year primarily because of a smaller increase in the Consumer Price Index during 1981 than that of the prior year.

Over the period measured in the five year comparison of selected supplementary financial data, the Company has steadily increased or maintained prior year adjusted levels in net sales, net assets at year-end and dividends per common share for the years measured. Market price per share, however, reflects a decrease over the last three year period. This decrease in market value of the Company's common stock has been in line with the general conditions prevailing in the market place.

Consolidated Statements of Income
Adjusted for Effects of General Inflation and Changes in Specific Prices

Year ended December 31, 1981 (thousands of dollars)	As Reported in the Primary Statements	Adjusted for General Inflation	Adjusted for Changes in Specific Prices
Net Sales and Other Income	$1,305,128	$1,305,128	$1,305,128
Cost of goods sold	1,087,920	1,092,771	1,094,288
Selling and administrative expenses	102,416	102,416	102,416
Depreciation and depletion	31,750	45,675	47,780
Interest	14,679	14,679	14,679
Total costs and expenses	1,236,765	1,255,541	1,259,163
Income Before Federal and Foreign Income Taxes	68,363	49,587	45,965
Federal and Foreign Income Taxes (a)	29,783	29,783	29,783
Net Income	$ 38,580	$ 19,804	$ 16,182
Effective income tax rate (a)	43.6%	60.1%	64.8%
Purchasing power gain on net monetary liabilities	—	$ 7,198	$ 7,198
Increase in specific prices of inventories and property, plant and equipment			$ 48,431
Effect of increase in the general price level			47,143
Excess of increases in specific prices over the increase in the general price level			$ 1,288

(a) In accordance with the FASB, no adjustment has been made to the Federal and foreign income taxes.

(b) Current cost of inventories at December 31, 1981 and 1980 was $234,811 and $195,260, respectively, and current cost of property, plant and equipment, net of accumulated depreciation and depletion, at December 31, 1981 and 1980 was $405,488 and $345,102, respectively. (The 1981 data includes The Richardson Company).

Five Year Comparison of Selected Supplementary Financial Data
Adjusted for the Effects of Changing Prices

(thousands of 1981 average dollars except per share data)	**1981**	1980	1979	1978	1977
Net sales and other income					
As adjusted for general inflation	**$1,305,128**	$1,307,501	$1,224,177	$1,054,433	$953,483
As adjusted for specific prices	**$1,305,128**	$1,307,501	$1,224,177	$1,054,433	$953,483
Net income					
As adjusted for general inflation	**$19,804(a)**	$20,315	$43,075		
As adjusted for specific price changes	**$16,182(a)**	$ 6,044	$38,083		
Net income per common share					
As adjusted for general inflation	**$2.13(a)**	$2.24	$4.86		
As adjusted for specific price changes	**$1.74(a)**	$ .67	$4.29		
Excess of increases (decreases) in specific prices of inventories and property, plant and equipment over increases in the general price level	**$1,288**	$15,803	$40,965		
Purchasing power gain on net monetary liabilities	**$7,198**	$11,715	$12,501		
Net assets at year end					
As adjusted for general inflation	**$447,246**	$433,190	$416,496		
As adjusted for specific prices	**$521,467**	$510,996	$492,874		
Cash dividends declared per common share					
As adjusted for general inflation	**$1.69**	$1.69	$1.67	$1.59	$1.48
Market price per common share at year end					
As adjusted for general inflation	**$23.47**	$31.09	$36.14	$27.86	$26.84
Average consumer price index	**272.4**	246.8	217.4	195.4	181.5

(a) Utilizing the Company's effective tax rate of 43.6% as discussed on page 26, net income as adjusted for general inflation would be $27,967 ($3.00 per common share) and net income as adjusted for changes in specific prices would be $25,924 ($2.78 per common share).

Oil and Gas Reserve Quantities

The following information summarizes the Company's net ownership interests in proved oil and gas reserves, which are all located in the United States. Estimates of oil and gas reserves are made annually. The determination of these reserves is a complex and highly interpretive process which is subject to continual revisions as additional information becomes available. In most cases, a relatively accurate determination of reserves may not be possible for several years due to the time needed for development drilling, testing and studies of reservoirs.

The quantities of proved crude oil and natural gas reserves presented below include only those amounts which the Company reasonably estimates to recover in the future from known oil and gas reservoirs under existing economic and operating conditions. Therefore, proved reserves are limited to those quantities which are recoverable commercially at current prices and costs, under existing regulatory practices and with existing technology. Accordingly, any changes in future prices, costs, regulations, technology and other factors could significantly increase or decrease proved reserve estimates.

The revisions to the reserves in 1981 were the result of a combination of changes in economic conditions and our annual review which includes updated information gathered from the current year's development program and production information.

Oil and Gas Reserve Quantities

(oil in thousands of barrels, gas in thousands of MCF)	**1981**		1980		1979	
	Oil	Gas	Oil	Gas	Oil	Gas
Proved Developed and Undeveloped Reserves						
Beginning of year	**9,599**	**8,450**	10,324	8,717	10,752	9,361
Revisions of previous estimates	**(961)**	**868**	(198)	(18)	(125)	340
Purchase of minerals—in place	**—**	**—**	—	—	265	—
Extensions, discoveries and other additions	**1,134**	**4,336**	150	765	150	—
Production	**(676)**	**(1,045)**	(677)	(1,014)	(718)	(984)
End of year	**9,096**	**12,609**	9,599	8,450	10,324	8,717
Proved Developed Reserves						
Beginning of year	**5,120**	**6,390**	4,801	5,967	5,280	6,781
End of year	**4,605**	**7,101**	5,120	6,390	4,801	5,967
Company's share of production attributable to royalty interests owned	**10**	**—**	9	—	9	—

The reserve information shown does not include reserves attributable to royalty interests owned by the Company. The reserves which would be added by including such reserves would not be significant.

Oil and Gas Producing Information

Valuation of Proved Reserves: The present value and summary of oil and gas producing activities have been prepared in accordance with the methodology prescribed by the Securities and Exchange Commission (SEC) called Reserve Recognition Accounting (RRA). Under RRA, an asset is recognized and earnings are recorded when oil and gas reserves are proved through exploration and development activities. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

The RRA valuation of proved reserves is determined as follows:

(1) Estimates are made of quantities of proved reserves and the future periods during which they are expected to be produced based on year end economic conditions;

(2) The estimated future production of proved reserves is priced on the basis of year end prices;

(3) The resulting future gross revenue streams are reduced by estimated future costs to develop and to produce the proved reserves, based on year end cost estimates;

(4) The resulting future net revenue streams are reduced to present value amounts by applying a 10 percent discount factor.

As acknowledged by the SEC, this valuation procedure does not necessarily yield the best estimate of the fair market value of a company's oil and gas properties. An estimate of fair market value should also take into account, among other factors, a discount factor that reflects current economic conditions, the likelihood of future recoveries of oil and gas in excess of proved reserves and anticipated future prices of oil and gas along with related development and production costs.

Summary of Changes in Present Value of Estimated Future Net Revenues From Proved Oil and Gas Reserves

(thousands of dollars)	**1981**	1980	1979
Additions and revisions			
Revisions to reserves proved in prior years	**$(32,337)**	$ 9,951	$104,726
Revisions to reserves due to Windfall Profit Tax	**26,559**	(40,112)	—
Purchase of reserves in place (at acquisition cost)	**—**	—	353
Revisions to reserves purchased	**—**	—	1,758
Extensions, discoveries and other additions	**4,886**	1,765	2,674
Estimated future development costs incurred during the year	**6,075**	5,833	5,326
	5,183	(22,563)	114,837
Decreases for sales of oil and gas and value of transfers, net of lifting costs	**(14,082)**	(14,867)	(11,529)
Net increase (decrease)	**(8,899)**	(37,430)	103,308
Balance at beginning of year	**85,419**	122,849	19,541
Balance at end of year	**$ 76,520**	$ 85,419	$122,849

Summary of Oil and Gas Producing Activities Prepared on the Basis of Reserve Recognition Accounting

(thousands of dollars)	**1981**	1980	1979
Additions and revisions to proved reserves			
Revisions to reserves proved in prior years			
Increase (decrease) in prices	**$ (7,459)**	$ 3,571	$114,332
Interest factor—accretion of discount	**8,542**	12,285	1,954
Other	**(33,420)**	(5,905)	(11,560)
Total revisions to reserves proved in prior years	**(32,337)**	9,951	104,726
Revisions due to Windfall Profit Tax	**26,559**	(40,112)	—
Extensions, discoveries and other additions	**4,886**	1,765	2,674
Revisions to reserves purchased	**—**	—	1,758
Total additions and revisions to proved reserves	**(892)**	(28,396)	109,158
Development costs in excess of amounts previously estimated	**4,282**	1,251	438
Results of oil and gas producing activities on the basis of reserve recognition accounting before federal income taxes	**(5,174)**	(29,647)	108,720
Provision (benefit) for federal income taxes	**(1,372)**	(13,111)	51,149
Results of oil and gas producing activities on the basis of reserve recognition accounting	**$ (3,802)**	$(16,536)	$ 57,571
Operating income from oil and gas producing activities before federal income taxes based upon historical costs	**$ 9,150**	$ 12,032	$ 9,010

Analysis of RRA Presentation: Results of oil and gas producing activities on the basis of reserve recognition accounting are arrived at by (i) additions to proved reserves from new field discoveries and extensions and revisions to the RRA valuation of reserves proved in prior years, and (ii) costs incurred in development activities.

Included in the revisions of reserves proved in prior years are the changes in valuation resulting from the use of the year end price. During the year 1981, the market value of crude oil declined affecting the RRA valuation by $7,459,000 while in previous years the year end market prices increased, thereby contributing $3,571,000 and $114,332,000 in 1980 and 1979, respectively.

Interest factor—accretion of discount, results from applying a discounted cash flow technique in the RRA valuation of proved reserves. The resulting increase is due to the production schedule of proved reserves being moved up one year on the discount table.

Also included in revisions to reserves proved in prior years—other are revisions to reserves estimates, changes in cost and changes in timing of production which all individually and collectively affect the RRA valuation. In 1981, downward revisions to previous years reserves estimates and increases in costs are the primary factors contributing to the change in this caption.

The favorable impact of Windfall Profit Tax is due to amendments to the 1980 Windfall Profit Tax Act as prescribed by The Economic Recovery Tax Act of 1981, which restored $26,559,000 of the 1980 reduction.

The caption extensions, discoveries and other additions represents proved reserves added through exploration and development activities. The increase in the current period is reflective of an expanded scope of exploration activity on previously unproven properties.

Development costs in excess of amounts previously estimated reflects the actual costs incurred during the year adjusted for development costs estimated in prior years.

The RRA provision for income taxes is based on the year end tax rates taking into account differences in the timing of recognizing RRA and taxable income and giving effect to investment tax credits. The effective tax rate as a percent of the results of oil and gas producing activities on the basis of RRA before federal income taxes was 27 percent, 44 percent, and 47 percent for the years 1981, 1980 and 1979, respectively.

Other Considerations: The Company cautions against projecting future RRA results on the basis of individual past years. RRA seeks to reflect events relating to developments projected to occur, whereas under generally accepted accounting principles, the impact of such events is reported over many future years. A number of years may elapse between incurring costs and knowing the economic results of the expenditures. New information about reservoir characteristics may significantly change previous estimates of proved reserves and their valuation. For these and other reasons, a year is too short a period to evaluate the results of a development program. An analysis of the RRA information should not, therefore, give undue emphasis to the results of any particular year; rather, the RRA information should help explain and demonstrate the impact of major factors affecting the Company over a number of years.

As discussed above, the RRA valuation of proved reserves will be revised in the future on the basis of new information as it becomes available, as estimates of proved reserves are imprecise. The Company's production and its exploration and development programs will require the continued revisions of reserve estimates. Further, future RRA valuations of the Company's proved reserves will reflect prices and related costs in effect in the future.

RRA estimated future net revenues and operating income from oil and gas producing activities have been reduced to reflect the Windfall Profit Tax. In calculating the amounts of such reductions the Company has applied the provisions applicable to independent producers, under which as a result of the 1981 amendment, (i) the tax rate until 1983 for most of the Company's production is 30% rather than 60% of the windfall profit amount on the first 1,000 barrels per day of production and (ii) such production beginning in 1983 is exempt. The Company believes it has good grounds for its position that it is an independent producer, but the factors controlling the determination are complex and no definitive interpretation has been promulgated by the Internal Revenue Service. The Company is currently involved in a proceeding seeking judicial affirmation of its status as an independent producer for 1975, and the outcome of that litigation is expected to affect its status for future years. Until the criteria for such status are established, estimates of future net revenues are subject to this additional uncertainty. The Company is hopeful that the issue will be resolved during calendar 1982 and believes that an adverse determination of its independent producer status would not have a material adverse effect on earnings for such year. However, such an adverse determination could, unless the Company subsequently qualifies as an independent producer, have a significant effect on RRA estimated future net revenues and operating income if the Windfall Profit Tax remains in effect without amendment and if the amount of the estimated windfall profit for future periods remains substantial.

Since December 31, 1981 the market value of crude oil has declined further. The impact of these price declines would have an adverse affect on RRA unless offset by future price increases. At present, management cannot assess the impact of the future market conditions on the price of crude oil.

The Company will review and adjust oil and gas reserves to reflect current conditions. The Company is not aware of any other event either favorable or unfavorable that occurred since December 31, 1981, that would cause a significant change in the Company's proved reserves.

All of these uncertainties should be considered in reviewing the RRA data.

Estimated Future Net Revenues from Proved Oil and Gas Reserves

(thousands of dollars)	Proved Developed And Undeveloped	Proved Developed
Year ended December 31		
1982 (1)	$ 8,544	$13,079
1983	14,261	13,928
1984	13,950	11,390
Remainder	112,732	50,876
Total	$149,487	$89,273

Present Value of Estimated Future Net Revenues From Proved Oil and Gas Reserves at December 31		
1979	$122,849	$71,459
1980	$ 85,419	$58,643
1981	$ 76,520	$59,093

(1) 1982 estimated future net revenues from proved developed oil and gas reserves are greater than the estimated future net revenues from proved developed and undeveloped oil and gas reserves because a significant amount of development costs have been projected.

Ten Year Statistical Summary

(thousands of dollars except per share data)	1981	1980
Selected Financial Data		
Net Sales	**$1,291,878**	$1,175,695
Other Income—net	**13,250**	8,928
Total net sales and other income	**1,305,128**	1,184,623
Cost of goods sold	**1,087,920**	979,347
Selling and administrative expenses	**102,416**	94,386
Depreciation and depletion	**31,750**	26,412
Interest	**14,679**	11,598
Provision for losses on investments and termination of operations	**—**	—
Total costs and expenses	**1,236,765**	1,111,743
Income before federal and foreign income taxes and extraordinary items	**68,363**	72,880
Federal and foreign income taxes	**29,783**	31,926
Income before extraordinary items	**38,580**	40,954
As percent of net sales	**3.0%**	3.5%
Extraordinary credit (charge)	**—**	—
Net income	**$ 38,580**	$ 40,954
Net income applicable to common stock, after recognition of the dividend requirements of preferred stocks	**$ 38,729**	$ 41,085
Dividends declared	**$ 15,849**	$ 14,044
Financial		
Working capital	**$ 174,962**	$ 189,975
Ratio of current assets to current liabilities	**1.79**	2.16
Property, plant and equipment expenditures	**$ 83,114**	$ 73,411
Property, plant and equipment—net	**$ 281,945**	$ 238,761
Total assets	**$ 725,360**	$ 630,984
Long-term debt	**$ 149,767**	$ 150,442
Total stockholders' equity	**$ 296,152**	$ 266,417
Book value per common share (a)	**$ 31.43**	$ 29.17
Stockholders (a)		
Number of stockholders—at year end	**7,630**	8,016
Per Common Share:		
Income before extraordinary items	**$ 4.14**	$ 4.50
Extraordinary credit (charge)	**—**	—
Net income	**$ 4.14**	$ 4.50
Shares used in this computation (b)	**9,363,254**	9,128,864
Per Common Share—assuming full dilution:		
Income before extraordinary items	**$ 3.94**	$ 4.22
Extraordinary credit (charge)	**—**	—
Net income	**$ 3.94**	$ 4.22
Shares used in this computation (b)	**9,930,686**	9,838,007
Dividends declared during the year per common share	**$ 1.70**	$ 1.55
Dividends paid during the year per share:		
Common stock	**$ 1.65**	$ 1.50
Preferred stock	**$ 2.65**	$ 2.65
Market Price, to the nearest dollar, per common share on New York Stock Exchange (high-low)	**$ 31-23**	$ 34-20

(a) Restated, where applicable, to give effect to a 50% common stock distribution in 1978.
(b) See Notes to Financial Statements—Note 1. Summary of Significant Accounting Policies (Net Income Per Common Share).

1979	1978	1977	1976	1975	1974(c)	1973	1972
$966,758	$751,733	$632,412	$565,958	$527,734	$556,792	$370,703	$293,517
10,247	4,641	2,893	2,420	4,653	4,911	3,148	3,351
977,005	756,374	635,305	568,378	532,387	561,703	373,851	296,868
798,321	606,832	513,646	456,845	434,627	453,039	290,295	229,126
77,357	63,327	55,346	48,977	43,813	46,464	38,079	32,385
21,326	19,587	17,329	15,151	13,866	12,431	12,047	10,303
6,617	6,327	5,414	5,401	6,148	6,337	4,309	2,735
—	—	—	—	4,300	—	—	—
903,621	696,073	591,735	526,374	502,754	518,271	344,730	274,549
73,384	60,301	43,570	42,004	29,633	43,432	29,121	22,319
30,602	26,806	18,927	18,942	15,771	19,792	12,871	9,637
42,782	33,495	24,643	23,062	13,862	23,640	16,250	12,682
4.4%	4.5%	3.9%	4.1%	2.6%	4.3%	4.4%	4.3%
—	—	—	—	—	—	402	(824)
$ 42,782	$ 33,495	$ 24,643	$ 23,062	$ 13,862	$ 23,640	$ 16,652	$ 11,858
$ 42,691	$ 33,237	$ 24,309	$ 22,637	$ 13,317	$ 23,025	$ 15,967	$ 11,116
$ 12,035	$ 10,215	$ 8,783	$ 7,909	$ 7,050	$ 6,650	$ 5,829	$ 5,557

$168,374	$112,292	$116,109	$ 94,381	$ 82,107	$ 74,406	$ 64,858	$ 67,285
1.96	1.98	2.50	2.35	2.41	1.93	2.07	2.38
$ 48,511	$ 51,106	$ 29,404	$ 27,398	$ 25,935	$ 27,625	$ 27,797	$ 15,762
$192,902	$166,475	$135,180	$137,073	$129,066	$119,286	$ 98,027	$ 81,913
$566,270	$418,580	$353,191	$328,964	$300,824	$310,670	$258,547	$229,404
$116,033	$ 71,127	$ 69,310	$ 72,213	$ 74,275	$ 75,196	$ 64,169	$ 57,838
$237,065	$203,382	$179,921	$162,801	$147,444	$138,993	$121,940	$112,846
$ 26.23	$ 22.78	$ 20.13	$ 18.30	$ 16.47	$ 15.85	$ 13.65	$ 12.17

7,765	7,208	7,145	7,201	7,352	6,768	6,630	6,300
$ 4.83	$ 3.86	$ 2.87	$ 2.74	$ 1.64	$ 2.95	$ 2.01	$ 1.54
—	—	—	—	—	—	$ .05	$ (.11)
$ 4.83	$ 3.86	$ 2.87	$ 2.74	$ 1.64	$ 2.95	$ 2.06	$ 1.43
8,837,122	8,616,672	8,484,621	8,276,502	8,124,050	7,793,081	7,749,948	7,761,287
$ 4.48	$ 3.57	$ 2.65	$ 2.50	$ 1.52	$ 2.63	$ 1.81	$ 1.41
—	—	—	—	—	—	$ .04	$ (.09)
$ 4.48	$ 3.57	$ 2.65	$ 2.50	$ 1.52	$ 2.63	$ 1.85	$ 1.32
9,638,273	9,469,659	9,416,313	9,367,182	9,349,913	9,123,851	9,167,124	9,277,227
$ 1.35	$ 1.15⅓	$ .99⅓	$ .90	$ .80	$ .77⅓	$ .66⅓	$ .62⅓
$ 1.30	$ 1.10⅔	$ .97⅓	$ .86⅔	$ .80	$ .74⅔	$ .65⅓	$ .61⅓
$ 2.65	$ 2.65	$ 2.65	$ 2.65	$ 2.65	$ 2.65	$ 2.65	$ 2.65
$ 30-20	$ 25-17	$ 23-15	$ 20-14	$ 19-11	$ 19-11	$ 17-10	$ 20-14

(c) A change to LIFO method of inventory valuation in 1974 for substantially all domestic inventories not previously valued on a LIFO basis decreased 1974 net income approximately $7.9 million or $1.01 per common share ($.87 per common share—assuming full dilution).

Directors and Corporate Officers

Directors

William Wishnick (1)
Chairman and
Chief Executive Officer
Chairman, Finance Committee

Henry Sonneborn III (1)
Vice Chairman
Chairman, Executive Committee

William J. Ashe (1)
President and
Chief Operating Officer

Robert L. Feldman
Group Vice President

Stephen Friedman (5)
Partner-Goldman, Sachs & Co.
Investment Bankers,
New York, New York

Sidney Goldin (3)
Petroleum Consultant
Ponte Verda Beach,
Florida

William R. Grant (1)
President
MacKay-Shields Financial
Corporation
New York, New York

Stanley A. Kaplan (2)
Attorney at Law
Chicago, Illinois

J. Lawson Kennedy
Executive Vice President–
Petroleum Group

George F. Polzer, Jr.
Executive Vice President–
Commercial Services

Samuel Rothberg
President
Israel Investors Corporation
New York, New York

William E. Setzler
Executive Vice President–
Chemical Group

Charles H. Tally
Attorney at Law, Senior Partner–
Bachner, Tally & Mantell, General
Counsel to Witco
New York, New York

Bruce F. Wesson (4)
Senior Vice President
Smith Barney, Harris Upham & Co.
Incorporated, Investment Bankers,
New York, New York

John H. Wishnick
Investor
Scarsdale, New York

Leonard C. Yaseen (4)
Plant Location Consultant
Larchmont, New York

(1) Member of Executive and Finance Committees
(2) Member of Finance Committee
(3) Member of Audit Committee
(4) Member of Executive and Audit Committees
(5) Member of Executive Committee

Corporate Officers

Executive and Staff

William Wishnick
Chairman and
Chief Executive Officer

Henry Sonneborn III
Vice Chairman

William J. Ashe
President and
Chief Operating Officer

J. Lawson Kennedy
Executive Vice President–
Petroleum Group

George F. Polzer, Jr.
Executive Vice President–
Commercial Services

William E. Setzler
Executive Vice President–
Chemical Group

Thomas J. Bickett
Vice President-Finance and
Administration

Howard S. Bryant
Vice President-Engineering

Paul M. Feeney
Vice President and Treasurer

Earl L. Hogard, Jr.
Vice President and Secretary

Arthur R. Kuhn
Vice President-Industrial Relations

Carl R. Soderlind
Vice President-Corporate
Communications

Tom M. Uhoda
Vice President-Purchasing,
Distribution and Traffic

Peter J. Biancotti
Controller

Petroleum Group

Group Vice Presidents:
Denis Andreuzzi
Robert L. Feldman
Raymond D. Saunders

Vice Presidents–
Operating Division
General Managers:

Robert L. Feldman
Golden Bear

Harvey L. Golubock
Pioneer

John R. Jury
Southwest Petro-Chem

Gerald Katz
Oil and Gas

Lawrence B. Nelson
Sonneborn

Henry P. Pruch
Kendall/Amalie

Chemical Group

Group Vice Presidents:
Seymour Cohen
Charles A. Polachi
Reno J. Testolin
Leonard R. Wood

Vice Presidents–
Operating Division
General Managers:

Roy P. Boos
Metal Treating

Nirmal Jain
Argus Chemical

S L Kopald, Jr.
Humko Chemical

Howard R. Leistner
U.S. Peroxygen

Alfred P. Marone
Organics

Norman F. Ottley
Inorganic Specialties

Robert J. Seward
Pearsall Chemical

Reno J. Testolin
Richardson

Edward A. Vistica
Witfield

Design: The Graphic Expression Inc., New York

Management of Foreign Manufacturing Subsidiaries

Canada
J. E. Cunningham
President
Witco Chemical Canada Limited
Savon-Majestic Ltée

F. W. Evans
President
Surpass Chemicals Limited

England
A. Taylor
Managing Director
Witco Chemical Limited
The Baxenden Chemical Co. Limited (53½%)

France
J. Leveuf
President and Director General
Witco Chemical S.A.

Israel
I. Katz
Managing Director
Witco Chemical Ltd. (60%)

Mexico
A. Zamorano
Vice President and Director
Argus Quimica Mexicana S.A. de C.V.

the Netherlands
C. N. Kaper
Managing Director
Witco Chemical B.V.
Jonk B.V.

Affiliates

Enenco, Incorporated (50%)
Memphis, Tennessee
Petroquimica Argentina, S.A. (PASA) (13½%)
Buenos Aires, Argentina

Compañia Mexicana de Separadores, S.A. (43%)
Servicio Técnico Administrativo, S.A. (43%)
Talleres Mitra, S.A. (43%)
Aislantes León, S.A. (40%)
Manufacturas León, S.A. (40%)
Molinos del Rosario, S.A. (34%)
Industrial de Elastomers, S.A. (24%)
Monterrey, Mexico

Corporate Information

Form 10-K

For a complimentary copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, send a written request to: Vice President—Corporate Communications, Witco Chemical Corporation, 520 Madison Avenue, New York, New York 10022

Stock Listing

The Company's Common and Preferred Stock are listed on the New York Stock Exchange under the ticker symbol WIT.

Stockholders

At December 31, 1981, there were approximately 7,630 holders of the Company's Common and Preferred Stock.

Registrar and Transfer Agent

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, New York 10015

Executive Office

520 Madison Avenue
New York, New York 10022
(212) 605-3800

Witco

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520 Madison Avenue
New York, New York 10022